



Market Report 7/2023

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Note
All monetary figures are shown in United States Dollars (USD) unless stated otherwise.

Market Trends



BACK TO TOP

- China's economic recovery [showed](#) signs of weakening as both imports and exports contracted from a year ago. China [reported](#) a 7.5% decline in exports during May 2023, partly due to slowing global demand, but also due to companies moving their manufacturing outside China.
- New truck orders are at very high levels, and robust truck orders often correlate with strong freight demand, but not this time. The trucking industry [continues](#) to see fleet failures, a poor spot market, and capacity constraints.
- Since November 2022, the inventory-to-sales ratio [has been](#) higher than during the Great Recession. This imbalance between excessive inventories and a slight softening of sales is causing significant strain, particularly in major origin countries and production centers for U.S. containerized goods. If sales do not rebound, inventories must see substantial reductions.
- Global Port Tracker, produced by Hackett Associates for the National Retail Federation (NRF), [forecasts](#) 1.99M TEU in July 2023, down 8.8% year-over-year (YoY). Q3 2023 is expected to total 5.97M TEU, down 7.9% YoY.
- The global last-mile delivery market is [growing](#) rapidly, largely fueled by e-commerce and B2C verticals. It was valued at \$40.5B in 2021 but is forecast to reach \$123B by 2030. This threefold increase represents a compound annual growth rate of 13% over the next eight years. Asia Pacific currently has the largest piece, valued at \$16B, 39% of the world's total.
- They're approximately 400 vessels currently [operating](#) in the world's LNG-fueled fleet, with 500+ more on order for delivery in the next five years.
- The New York Federal Reserve's latest Global Supply Chain Pressure Index recently [stood](#) at -1.71, continuing a downward trend from the December 2021 peak of 4.31 and an April 2023 metric of -1.35.
- Despite a YoY decline, U.S. import volumes have [remained](#) on par with pre-pandemic levels of 2019 (+/- 1.3% difference), and this trend was consistent throughout Q1 2023.
- American imports of Mexico-manufactured goods have [increased](#) from \$320B pre-pandemic to \$402B today.

OCEAN SERVICES

- ⊕ Pacific International Lines (PIL) [announced](#) a new weekly direct service—the Korea China Straits Service (KCS)—connecting key ports in South Korea, China, Vietnam and the Malacca Straits. PIL’s service will commence on 6 July 2023 from Pusan via a consortium of vessels with an average capacity of 1,800-2,200 TEU.
- ↻ HMM began a new service [connecting](#) the Far East, India and Latin America. The FIL service was launched in December 2021 and the Port of Jakarta was recently added to its rotation.

Hapag-Lloyd [updated](#) its Atlantic Loop 5 (AL5) service between Northern Europe and North America to include a weekly eastbound stop at the Port of Saint John, Canada.

OCEAN SERVICES

- ⊕ Incheon Port [launched](#) a direct container service to the Persian Gulf for the first time in five years as SeaLead Shipping extends its Far East-Middle East service to include the South Korean gateway.
- ⊕ Maersk’s AE12 and AE7 shipping services now [call](#) at Jeddah Islamic Port in Saudi Arabia.
- ⊖ CMA CGM will [stop](#) calling Mersin, Turkey as part of its NC LEVANT EXPRESS service amidst a deteriorating operational situation. CMA has already implemented a Port Congestion Surcharge (PCS) and plans to [restore](#) its stop at the Port of Iskenderun once the local situation improves.
- ⊕ Ocean Network Express (ONE) announced a new service, [KCS2](#), connecting the Korean peninsula, China and the Strait of Malacca. KCS2 will provide direct service to Penang and Cat Lai, as well as strong access to the Ho Chi Minh City market.



AIR SERVICES

- ⊕ Maersk's cargo airline is [bolstering](#) its intercontinental freight network:
 - Weekly rotations between Chicago Rockford International Airport (RFD) and Hangzhou Xiaoshan International Airport, China (HGH), will [double](#) from three to six.
 - Weekly rotations between Greenville-Spartanburg International Airport (GSP), South Carolina, Incheon International Airport (ICN), Korea, and Shenyang Taoxian International Airport (SHE), China, will increase from two to three.
- ⊖ FedEx plans to [remove](#) 29 aircraft from its fleet this year through permanent retirement and/or temporary storage.
- ↻ MSC will [change](#) the port rotation on its Santana Service, which covers the Far East to USA.

RAIL SERVICES

- ⊕ Canadian Pacific Kansas City (CPKC) is [adding](#) 1,000 refrigerated intermodal containers to its Mexico/Chicago cross-border train service. Americold Realty Trust will locate warehouse facilities along CPKC's rail network as part of wider plans to expand intermodal transportation and cold storage options. The CPKC-Americold [deal](#) also comes shortly after Tiger Cool Express, a temperature-controlled intermodal provider headquartered <30 minutes from Kansas City, [shut down](#) operations, leaving 700 temperature-controlled containers available for purchase.
- ⊕ Union Pacific and BNSF are each [starting](#) new intermodal services at the Port of Houston:
 - Union Pacific's [service](#) allows intermodal containers to be offloaded from ships directly onto railcars for transportation toward: Denver, Salt Lake City, Oakland, Los Angeles, or El Paso.
 - BNSF's service connects its intermodal hubs in Denver and the Dallas-Fort Worth area, with Dallas-Fort Worth services operating on Tuesdays and Thursdays while Denver connections operate on Fridays.

ROAD SERVICES

- ⊖ FedEx Freight, the largest U.S. trucking company, is [cutting](#) 29 out of approximately 400 LTL terminals by August 2023. The company is working to cut costs and adapt to soft demand, with operations at some of these 29 terminals being consolidated into larger facilities.
- ⊕ Less-than-truckload (LTL) carrier Roadrunner is [adding](#) eight new lanes that connect the U.S. West Coast with Virginia. The expansion links Southern California and San Francisco to southern Virginia and Norfolk, which is already [expanding](#) its inland facilities and dredging to become the deepest harbor on the East Coast. Another new group of LTL services will connect Las Vegas with Chicago, Cleveland, Detroit, Milwaukee and Philadelphia.

PRICING

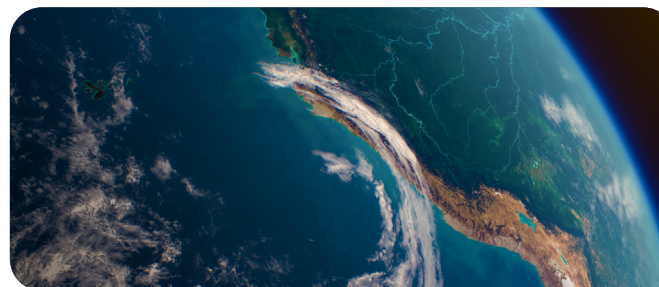
Average short-term contract rates from West India to the U.S. East and West coasts have [fallen](#) sharply, dropping nearly 20% since May. Two rounds of general rate increases (GRIs) attempted on the India/U.S. trades have been unsuccessful so far.

General airfreight rates in May [fell](#) to their lowest levels since March 2020. The global airfreight spot rate fell 40% YoY, reaching \$2.41 per kilogram. The International Air Transport Association (IATA) estimated that airline cargo revenues and yields could fall by more than 31% and 29% respectively in 2023.

Shipowners choosing to ignore Western sanctions and carry Russian oil products are [earning](#) higher freight rates (+60-100%) than in non-Russian trades. Russian crude exports [rose](#) to 3.8M barrels per day in May, the highest levels since before the pandemic.

SOUTH AMERICAN RATE RESILIENCE

The Europe/South America container market—oftentimes more of a backhaul in terms of volume—is coming down from its pandemic-era rate peak more slowly than other trades.



South America's rate resilience [extends](#) beyond just routes from Europe:

- Current long-term rates from China to South America's West Coast average \$3,728 per FEU, *2.4x pre-COVID levels*, according to Xeneta.
- Both long- and short-term rates from the U.S. East Coast toward South America's West Coast (via the Panama Canal) are still close to peak levels, averaging \$2,840 and \$2,734 per FEU, respectively.

MERGERS & ACQUISITIONS

Italy's state railway operator is [discussing](#) a freight transport partnership with Mediterranean Shipping Co. (MSC).

CMA CGM [acquired](#) a 49% stake in COSCO Shipping Ports (CSP) Valencia and a 38% stake in CSP Bilbao from TPIH Iberia, [furthering](#) its presence in the Iberian market.

HMM wants to reenter the gas trade and has [offered](#) \$233M (KWN 300B) to take over its old company, Hyundai LNG Shipping, which HMM sold nine years ago during financial troubles. Today, it has a fleet of 16 LNG carriers and six VLGCs.

After another thorough review by Germany's government, terms were [finalized](#) for COSCO to acquire <25% in a Hamburg container terminal. Although COSCO plans to increase volumes at the terminal, they will not have any direct input in the port's operations or access to the terminal's technology.

Infrastructure

🇮🇩 **INDONESIA:** DP World will [expand](#) operations at Indonesian Belawan New Container Terminal (BNCT), which is expected to grow the terminal's overall capacity. DP World aims to double throughput capacity at BNCT to 1.4M TEU while also creating Indonesia's most direct link with the Malacca Strait.

🇨🇳 **NINGBO, CHINA:** The Ningbo-Zhoushan port complex recently gained the ability to supply LNG bunkers, [joining](#) Shanghai and Yantian. Notably, Ningbo is the first terminal in the Yangtze River Delta region to supply bonded LNG to an LNG carrier for refueling.

🇸🇦 **EASTERN SAUDI ARABIA:** King Salman Energy Park (SPARK) has [entered](#) a joint venture with Colour Path Holdings Limited, a Hutchison Ports company, to form the Energy City Logistics Company (ECLC). The agreement will make ECLC an exclusive operator of a \$400M logistics facility in SPARK, a global energy hub in Saudi Arabia's Eastern Province. Future developments also include integration into the Gulf Cooperation Council (GCC) rail link and GCC highway.

🇯🇵 **TOKYO, JAPAN:** The Narita International Airport Company (NAA) aims to [transform](#) its airport and cargo area into a unified and efficient facility, creating an 'Asian cargo hub' within the next 10 years. The location is strategically advantageous due its close proximity with local expressways and nearby farmland that's available for further development.



The plan includes:

- Consolidation of the current passenger terminals and cargo areas into one large-scale facility
- Construction of a new runway (Expected completion March 2029)
- Integration of advanced technologies including enhanced automation

🇬🇧 **BELFAST, NORTHERN IRELAND:** Belfast Harbour will invest nearly \$125M to move forward with a new heavy-duty quay and deep-water berth. The new facility will be built on 46 acres of reclaimed land and will greatly [enhance](#) Belfast's cargo and cruise ship operations.



🇧🇷 **BRAZIL:** MSC's Terminal Investment Limited (TIL) will [invest](#) \$1.46B (BRL 7B) into the ports of Santos (\$840M) and Navegantes (\$630M) over the next five years. The funds will be utilized for pier reconstruction, dredging, and other complementary infrastructure. The initial phase [focuses](#) on replacing diesel fuel with electric power for the Santos terminal's rubber tyred gantry (RTGs) container handling cranes. A total of 22 diesel-fueled units will be electrified by the end of 2024.

Transport Technology

RETROFITTING & DUAL-FUEL VESSELS

Thousands of ships are being targeted for engine retrofits as ship owners look to modernize more vessels for dual-fuel or sustainable fuel capabilities.

Maersk is leading the way: the company recently [ordered](#) six new dual-fuel, methanol-ready 9,000 TEU vessels, with 25 'methanol-enabled' vessels now on order. They are also the first large carrier to [convert](#) a vessel to a methanol dual-fuel engine.



Leonardo Sonzio, Maersk's head of fleet management and technology, [noted](#): "With this initiative, we wish to pave the way for future scalable retrofit programs in the industry and thereby accelerate the transition from fossil fuels to green fuels. Ultimately, we want to demonstrate that methanol retrofits can be a viable alternative to newbuildings."

Retrofitting has become attractive for larger companies that must offset emissions or face penalties amidst an increasingly strict regulatory environment. Companies already pursuing engine retrofits include Eidesvik and Nippon Yusen Kaisha. Unfortunately, retrofitting often requires detailed engineering—new fuel tanks, advanced fuel preparation rooms, completely different fuel supply system, etc.—making new build orders an easier alternative for many ship owners.

Many recent new build orders from Evergreen, CMA CGM, OOCL and HMM have [included](#) dual-fueled vessels capable of running on both methanol and low-sulphur fuel oil. For example, Cargill, a leading agribusiness, just [ordered](#) three methanol-fueled Kamsarmax bulk carriers in a partnership with J. Lauritzen.

ROTTERDAM TUGBOAT QUAY

The Port of Rotterdam will [construct](#) a tugboat quay in the first part of the Yangtzekanaal, widening the canal's navigation path on the south side to over 500 meters. Before 2030 the port will also construct a quay wall with waiting berths for inland shipping, thus widening the canal 1,400 meters to the west of the existing Antarctica quay.

USA/EU ALIGN ON ELECTRIC VEHICLES

The U.S. and European Union agreed to "a shared vision on a standard for charging electric heavy-duty vehicles," during a recent meeting of the Trade and Technology Council. Both sides will collaboratively develop a transatlantic test procedure for high power-charging, [ensuring](#) interoperability and system charge performance. The White House stated: "We recognize the [Megawatt Charging System](#) (MCS) adoption by IEC, SAE and ISO for the charging of electric heavy-duty vehicles, where the alignment of our approaches to standardization will be critical for the roll-out of dedicated recharging infrastructure."

Transport Technology

- The aviation industry is [facing](#) shortages in aircraft engines as maintenance delays continue to impact Airbus A320 neo family and A220 operators.
- China [remains](#) the world's leading shipbuilder, with last year's output accounting for nearly 50% of the global dead-weight tonnage. They're also [leading](#) 2023's market share for new orders, a significant indicator within the larger shipbuilding industry.



Image source: Martin Romjue, Bobit

SCHNEIDER ECASCADIA: Schneider National officially [launched](#) its all-electric trucking fleet and high-scale e-charging center. Schneider's Freightliner eCascadia tractors can [achieve](#) an 80% charge within 90 minutes and possess a 220-mile range.

COBALT BLUE FEEDER VESSEL: Kongsberg Maritime [received](#) approval in principle from classification society DNV for a design of its next-generation 2,000 TEU container feeder vessel. The new design, named 'Cobalt Blue,' introduces several features: an open-top deck for improved cargo handling, a forward deckhouse, and a modular design allowing for easy upgrades. The vessel also features a dual-fuel main engine, capable of running on either LNG or diesel fuels.



Image source: Kongsberg Maritime via [GCaptain](#)

HYDROGEN CARGO TANKS: HD Korea Shipbuilding & Marine Engineering, a South Korean shipbuilder, is joining leading European institutions to work on the first large-scale hydrogen cargo tanks. Specifically, the partners hope to [develop](#) a 160,000 cubic meter liquified hydrogen cargo tank.

CHINA TESTS AUTONOMOUS TRUCKS: [TuSimple](#) successfully completed China's first fully autonomous semi-truck test run on public roads without human intervention. Shanghai's government [designated](#) public roads for testing, with the Yangshan Deep-water Port Logistics Park and Donghai Bridge included in the trial route.



Image source: TuSimple via [TruckingInfo](#)

BANGLADESH RATIFIES HONG KONG CONVENTION Bangladesh is [second](#) in the world for shipbreaking: the dismantling of end-of-life ships. In 2022, Bangladesh was [responsible](#) for dismantling 122/443 ocean vessels sold for scrap. The country is often [criticized](#) for its poor safety record and its continued use of a controversial beaching method, but it has now ratified the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships.

Sustainability

MARINE BIODIVERSITY TREATY

The United Nations finally adopted a marine biodiversity treaty for the high seas, the first international agreement of its kind. The treaty creates a legal framework for marine-protected areas, adding 75 articles to a lengthy document about conservation and biodiversity.

GLOBAL PLASTICS INITIATIVE

More than 14M tons of plastic fall into the ocean annually, so delegates from 180 nations recently visited France to draft a wide-ranging document about plastic production and waste. Many nations agreed on core principles of a future treaty, including the need to limit plastic production, manage microplastics, and regulate high-risk plastic products and the chemicals leaching out of them.

- Australia and Singapore have begun talks to build a green and digital shipping corridor by the end of 2025.

GREEN LOCOMOTIVES

The rail freight industry has been developing more sustainability-focused locomotive technologies, such as hydrogen- and biodiesel-powered locomotives. For example, CPKC and CSX are working together to build and deploy hydrogen locomotive conversion kits for diesel electric locomotives, and CSX plans to retrofit a diesel locomotive using CPKC's conversion kit.

PEAK OIL DEMAND IN SIGHT

Historically, road transportation has been the biggest driver of oil demand and it is still responsible for nearly half of the world's oil consumption, but electric vehicles will force a reversal of this era during the next decade. As the world's auto fleet electrifies, its share of the overall oil market will diminish to roughly 1/3 of the market in 2040 and 1/4 in 2050.

- Mitsui O.S.K. Lines (MOL) and Chevron signed a memorandum of understanding to reduce carbon intensity within marine fuels. The companies plan to collaboratively research next-generation fuels and safety measures that will aid in the shipping industry's decarbonization efforts.

CLEAN SHIPPING ACT

Members of the U.S. Congress introduced the Clean Shipping Act of 2023, setting a path to eliminate greenhouse gas (GHG) emissions from all ocean shipping companies doing business with the United States. The new legislation would amend the Clean Air Act and curb emissions by limiting, and eventually eliminating, the carbon intensity of marine fuel used by ships at U.S. ports. It would also give the Environmental Protection Agency (EPA) the authority to regulate carbon intensity standards for maritime fuel. This follows a similar model established by the European Union with its FuelEU Maritime initiative.

- The World Bank published a new report examining how prices on carbon emissions could create decarbonization funding for the maritime industry. They note that a carbon tax could help reduce GHG emissions and generate revenue, raising \$40-60B each year between 2025 and 2050.

Laws/Legislation

Shippers have **accused** most of the top ten ocean carriers of systematic price gouging and unfair practices in the past 18 months.

Federal regulators from the National Highway Traffic Safety Administration and the Federal Motor Carrier Safety Administration **issued** a sweeping **proposal** that would require all trucks >10,000 pounds to be **equipped** with an automatic emergency braking (AEB) system and an electronic stability control (ESC) system.

Congress' Transportation and Infrastructure Committee recently **advanced** multiple regulatory **changes** that directly apply to freight trucking. The American Trucking Associations released a **statement** applauding the five proposals: The Truck Parking Safety Improvement Act, LICENSE Act, CARS Act, Dry Bulk Weight Tolerance Act, and HR 3447.

RENEWED INTEREST IN RAIL SAFETY

A February 2023 crash near the Ohio-Pennsylvania border **reignited** interest in rail safety and prompted legislative reform. Now, the DOT's Federal Railroad Administration (FRA) plans to audit the safety cultures and practices of all the Class I railroads operating across the country. Lawmakers have **targeted** two key aspects: the transportation of hazardous materials and the effects of longer train lengths on safety.

In related news, the FRA **announced** it had **awarded** more than \$570M to the Railroad Crossing Elimination (RCE) Grant Program, which will be used to fund 63 infrastructure **projects** across 32 states. The initial funding will be focused on reducing train-vehicle collisions and blocked rail crossings.

EU REITERATES RUSSIAN SANCTIONS

Under the latest sanctions, vessels **engaged** in ship-to-ship transfers that violate established restrictions will now face a prohibition from EU ports. The move directly targets vessel operators suspected of breaching the Russian oil import ban or the G7 Coalition price cap.

ADVANCED CLEAN FLEETS REGULATION

The California Air Resources Board (CARB) recently approved the **Advanced Clean Fleets** (ACF) regulation, prescribing new requirements for trucks transporting cargo to and from California's seaports and railyards. All drayage trucks conducting operations at a California seaport or intermodal railyard must be registered on CARB's new online platform.

- Combustion-powered trucks must register by 31 December 2023
- Only zero-emission drayage trucks can register beginning 1 January 2024.
- Drayage trucks will be required to start transitioning to zero-emission technology in 2024, with full implementation required by 2035.

TARGET OPERATING MODEL

The U.K. government **released** a draft of its new Target Operating Model (TOM) for Sanitary and PhytoSanitary (SPS) controls, detailing digital and practical approaches to SPS controls for goods entering the UK from the EU. Starting October 2023, these controls will only apply to goods coming from the EU, but they will later **include** the rest of the world.

WORK STOPPAGES ON CANADIAN WEST COAST

7,000+ dock workers representing the International Longshore and Warehouse Union (ILWU) Canada went on [strike](#) 1 July 2023 after federal-mediated negotiations with the British Columbia Maritime Employers Association (BCMEA) failed.



Image source: Chris Helgren, Reuters

Vancouver and Prince Rupert are [impacted](#) heavily, with 1/4 of Canada's total trade (C\$800 million) flowing through these western ports each day.

WARMER WATER TEMPERATURES

The world's oceans continue to heat up. Ocean temperatures from March to May—meteorological spring in the Northern Hemisphere—were the highest recorded in 174 years [according](#) to the U.S. National Centers for Environmental Information. This development could signal more severe weather since *warm water often fuels tropical cyclones*, known as hurricanes in the U.S. and typhoons in Asia.

BYE BYE BENITO

Cargo airlines have been [given](#) additional time to shift their operations out of Benito Juárez International Airport, Mexico City's congested main gateway. President Andrés Manuel López Obrador announced that the 7 July 2023 deadline will be [extended](#) by eight weeks.

RHINE RUNS LOW, AGAIN

Water levels in Germany's Rhine River are [expected](#) to drop below operational levels, just as they have in recent years. The Rhine is [typically](#) at its lowest during August–November, but this will depend upon the upcoming summer's rainfall.

PANAMA CANAL DROUGHT

The Panama Canal will [keep](#) draft restrictions—how deep a ship can sit in the water—in place as the area's main lake drops to a four-year low. [According](#) to meteorologists, water levels in Gatún Lake—located in the center of the canal—could hit [record lows](#) in July as the El Niño climate event brings higher temperatures and less rain.



- The Panama Canal plays a significant role in ensuring the flow of goods from Northeast Asia to the U.S. East Coast, commanding 46% of the east's total market share, according to the U.S. Department of Commerce.
- The Panama Canal Authority typically announces any draft adjustments three weeks in advance.