



# Market Report 8/2023



# Contents

## Market Trends

*Trade lane data, blank sailings, business performance, maritime alliances, branding, public vs. private transitions, etc.* **1-2**

**SERVICES.....3**

**PRICING.....3**

**MERGERS & ACQUISITIONS.....4**

## Technology

*Investments & expected improvements, etc.*

**INFRASTRUCTURE.....5**

**TRANSPORT TECHNOLOGY.....6**

**SUSTAINABILITY.....7**

## Trade & Compliance

**TARIFFS/SURCHARGES.....4**

*Fees that are irregular or evolving due to market conditions, etc.*

**LAWS/LEGISLATION.....8**

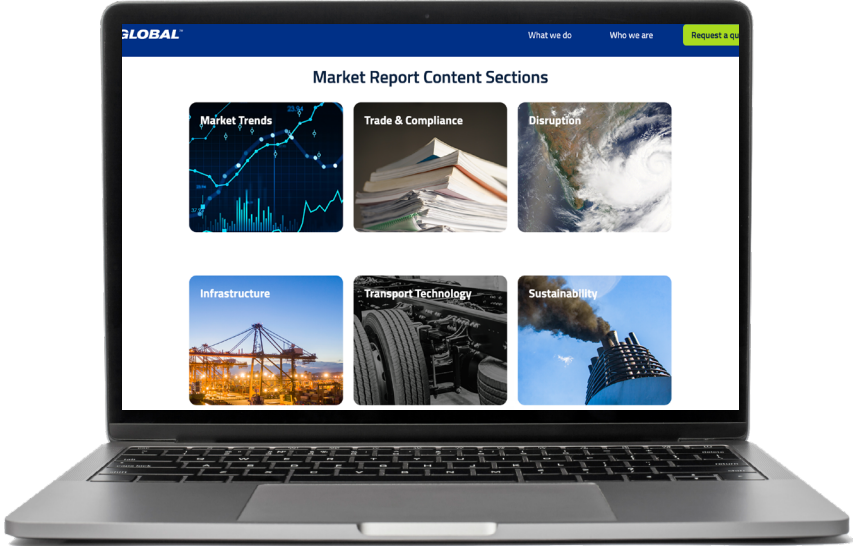
*Government action, regulation, compliance initiatives, etc.*

## Disruption

**GENERAL/ACUTEDISRUPTION.....9-10**

*Hurricanes, economic collapse, city lockdowns, etc.*

Subscribe to this report!



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

# Market Trends



BACK TO TOP

Global Port Tracker [anticipates](#) that Q3 '23 throughput will total 5.9M TEU, an 8.3% decline year-over-year (YoY).

The latest e2open Ocean Shipping Index report [suggested](#) that ocean shipment transit times are rebounding to pre-pandemic levels. All trade lanes saw a reduction or remained flat in the total booking to receipt time as compared to the previous quarter.

Women made gains in 2022 and now [comprise](#) 41% of the total supply chain workforce (+2% YoY) according to a new Gartner survey.

Shippers are [enjoying](#) competitive pricing and an abundance of carrier options right now, but this environment won't last forever. Both shippers and carriers are eager to pinpoint when demand will return.

Prices for older very large crude carriers (VLCCs) are [falling fast](#).

In Q2 Mexico [overtook](#) China as the top exporter to the United States. Imports from Canada also surpassed Chinese flows by 5%.

The Port of Los Angeles saw cargo volumes [rise](#) for the fourth straight month in June. LA moved 833,035 units in June, the most since July 2023, and 4.1M total units during H1 '23, 24% less YoY.

For the fourth straight month, Laredo, Texas, [retained](#) the #1 spot amongst the United States' 450 international trade gateways. Laredo recorded a 7.4% YoY increase in total commerce (\$28.1B) during May according to the U.S. Census Bureau.

U.S. warehousing and storage employment [fell](#) for the eighth straight month in June. Freight and parcel carriers [cut](#) 14,000+ jobs in May and June according to the Bureau of Labor Statistics.

Middle Eastern airlines [saw](#) a 30.8% traffic increase YoY in May. Capacity climbed 25%, pushing the load factor up 3.6 percentage points to 80.2%.

India's box volumes [fell](#) 12% YoY in June, and the country is now seeing more exports than imports. This new trade pattern may reflect a sharp drop in empty equipment imports amidst weakening demand, rather than a sustained export trade.

China's abundance of cheap labor is [disappearing](#) amidst demographic shifts and rising educational levels. By 2040, the United Nations [projects](#) China's median age will reach 48 years, up from 38.5. In direct contrast, India's median age will only rise to 34.6 years, up from 27.9.

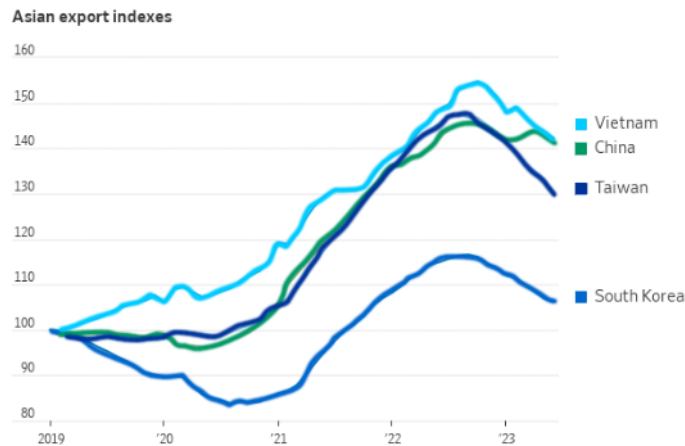
China's weak export demand [continued](#) as Chinese shipments to the U.S. [dropped](#) 24% in May, the 11<sup>th</sup> straight month of declines.

# Market Trends



BACK TO TOP

## SLOWING ASIAN EXPORTS REFLECT OVERALL GLOBAL ECONOMY



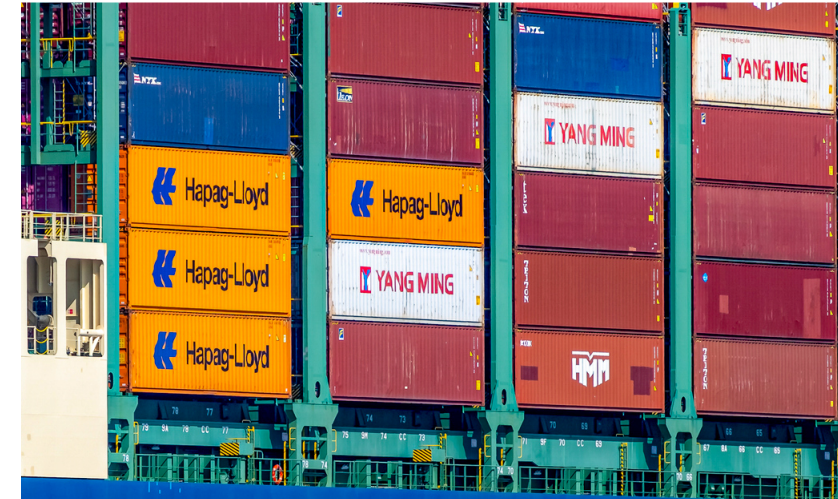
Source: CEIC via [WJS](#). Note: 12-month rolling sums.

Ports are starting to target ships that match a certain profile for Russia's "shadow fleet." Sanctioned Russian cargo ships have [made](#) 100+ stops at Turkish ports [since](#) May 2022. Mumbai-based Gatik Ship Management, Geneva-based Fractal Shipping, and United Arab Emirates-based Radiating World Shipping are [among](#) the many companies intentionally making their business more opaque each day.

Blanked sailings [represented](#) 10.6% of Asia/North America capacity in June. The extent of blanking as compared with the trade's total fleet is easing as carriers better align capacity to demand.

The transpacific trade's total fleet capacity [will rise](#) 19.2% YoY by the fourth week of August. Vessel space between Asia and North America will increase at double-digit percentage growth rates through early September, with the YoY increases expected to reach 25.2% by September 11<sup>th</sup>.

Businesses [acquired](#) or leased 9.6M square feet of European industrial space during 2022, a 29% increase YoY.





## SERVICES

- ⊕ Orient Overseas Container Line (OOCL) [announced](#) a new service (EEX) in the Europe/South America network. EEX is expected to provide a direct link between Europe, Brazil and the River Plate region. For example, transit between Rio de Janeiro and Rotterdam is only 16 days.
- ⊕ Ocean Network Express (ONE) [introduced](#) the Latin-East-Coast Europe Express (LUX), a new weekly service connecting Europe and the Mediterranean to South America's East Coast. Marketed as ESE2 by Cosco and OOCL, the service [focuses](#) on moving South American refrigerated cargo. The inaugural sailing will commence from Montevideo on 16 September 2023.
- ⊕ CNC, CMA CGM's intra-Asia short-sea specialist, and the Kochi Prefecture Government's Department of Public Works introduced the Nine Provinces Feeder (NPF) [service](#) at Japan's Port of Kochi. The feeder service connects Kochi and Busan in just three days.
- ⊕ The Iran/Afghanistan cross-border railway [returned](#) to service after the completion of infrastructure repairs. The rail system is used by both freight and passenger trains and improves Afghanistan's trade links with Central Asia, Russia, Turkey and Europe.
- ⊕ The tiny country of Brunei [launched](#) its first container shipping route to China, connecting Muara, its sole deepwater port, and Qinzhou in China's Guangxi Zhuang autonomous region.
- ⊕ Air Incheon [added](#) flights to Kuala Lumpur, Malaysia. The new 5x per week flights launched July 11<sup>th</sup> and utilize Boeing 737-800 freighters. The service also targets dangerous goods that cannot be carried in the bellies of passenger aircraft.

## PRICING

U.S. trucking contract rates [fell](#) to their lowest point in almost two years according to [DAT Freight & Analytics](#).

### RUSSIAN OIL PRICE CAP

The price of Russian Urals crude—[exported](#) from ports in the Black Sea and Baltic Sea—is now at or above the \$60-per-barrel price cap. The EU and G7 nations' price cap [targets](#) European tanker owners and their insurers so they cannot legally participate in this lucrative shipping trade. Importantly, Moscow still hasn't provided any verifiable evidence that ships [hauling](#) its petroleum are properly insured. This is highly problematic as many are near their scrapping age (avg. 16 years old) and carry significant environmental risk, which leading purchasers India and China are well aware of.

- LNG prices spiked to extreme levels immediately after Russia's invasion of Ukraine, but LNG prices are now [becoming](#) cheaper than VLSFO. In particular, the Port of Rotterdam has served as Europe's energy import gateway by helping to boost LNG import capabilities.

## MERGERS & ACQUISITIONS

### HMM PRIVATIZATION

South Korea's SM Line and affiliates [confirmed](#) plans to attempt a takeover of the much larger HMM when the shipping company officially goes up for sale. SM Line recently [increased](#) its overall stake in HMM, raising it from 5.52% to 6.56%. The move consolidates the SM group as HMM's third-largest shareholder behind state policy lender Korea Development Bank (20.69%) and state-controlled ship finance institution Korea Ocean Business Corp (19.96%). Government-run banks are [hoping](#) the carrier will be [sold](#) to one of South Korea's conglomerates so that the company can continue its ongoing revitalization.

Publicly-listed Evergreen Marine Corp (EMC) will [purchase](#) privately-held Evergreen Marine Singapore (EMS) to consolidate the group's container assets. EMC will take control of 13 containerships ranging from 1,618-9,466 TEU, all sailing under Singapore's flag.

The Philippines' International Container Terminal Services Inc. (ICTSI) has been selected as an equity partner to [run and expand](#) South Africa's Durban Container Terminal Pier 2. Almost  $\frac{3}{4}$  of Durban's freight volume moves through this terminal, accounting for 46% of the country's total port traffic. State logistics company, Transnet SOC Ltd., is [hoping](#) to boost its annual capacity to 2.8M TEUs, up from two million, and ultimately, they want to increase Durban's total container capacity to 11.4M TEUs from 3.3M.

Norfolk Southern Railway may [purchase](#) Cincinnati Southern Railway—the nation's only municipally owned interstate rail line—for \$1.62B if a majority of local voters approve the sale on November 7<sup>th</sup>. Proceeds would be placed in a trust fund to provide annual payouts for city infrastructure projects.

Indonesian shipping business Meratus is [exploring](#) a sale amidst interest from prospective investors, with an estimated evaluation of about \$2B.

Logistics technology company Shift is [working](#) to purchase Tuffnells' brand and intellectual property assets, including 30+ delivery depots around the United Kingdom.

## TARIFFS & SURCHARGES

- Container xChange's annual detention and demurrage (D&D) survey [found](#) that average D&D charges across 65 international gateways fell 25% YoY and are well below pre-pandemic levels for the first time in three years.
- Maersk is attempting to undo weeks of heavy discounts on the Asia/North Europe trade via a substantial [increase](#) in its FAK. Maersk's rates from Asia to the three North European hubs of Rotterdam, Felixstowe and Gdansk will increase on July 31<sup>st</sup> to \$1,025 per 20ft and \$1,900 per 40ft.
- Her Majesty's Revenue and Customs (HMRC) continues to [levy](#) violations against British International Freight Association (BIFA) members, particularly for Chinese imports into the U.K. cleared on a delivered duty paid (DDP) basis. For context, Brexit [catalyzed](#) an uptick in forwarders offering indirect representation, many of which have ignored proper due diligence.
- CMA CGM [introduced](#) a \$300 per TEU peak season surcharge (PSS) from Asia to South Africa, starting 21 August 2023 until further notice.



## Infrastructure



### LARGEST U.S. LNG EXPORT FACILITY

Houston-based NextDecade Corporation [announced](#) the largest proposed liquefied natural gas (LNG) export facility in the U.S. at the Port of Brownsville, Texas. At full capacity, Rio Grande LNG will produce 27M metric tons of LNG for export. An initial \$18.4B investment will construct the first of three liquefaction trains. Overall, the project aims to capture and permanently store more than 5M metric tons of CO<sub>2</sub> per year, reducing carbon emissions by over 90%



California announced a statewide investment program [targeting](#) its supply chain and port operations. \$1.2B will fund 15 projects designed to improve efficiency, whereas \$450M will support zero-emission projects for infrastructure, locomotives, vessels, and vehicles.



Denmark's Port of Esbjerg [entered](#) into an agreement with PensionDanmark to enhance its position as one of the world's largest ports for offshore wind activities. The port will receive about \$1B in funding to assist its green transition. About \$850M will be used to construct offshore wind turbine facilities at the port, which are expected to be ready in 2027.



Maersk [opened](#) a new 123,000 square foot air cargo facility near Atlanta Hartsfield Jackson International Airport that offers direct planeside recovery and immediate transfers. Located in Atlanta Tradeport's Foreign Trade Zone, the new facility enjoys lower duties, reduced processing fees, and quicker movement of goods to and from the Port of Savannah.



Brazil's North-South Railway is finally [complete](#) after 30+ years of work. The 1600mm-gauge railway runs for 2,257KM from the port of Itaqui in the northeastern state of Maranhão to the port of Santos near São Paulo in southeast Brazil.



The United Arab Emirates (UAE) continues to [invest](#) in major infrastructural projects throughout Africa, and the UAE is now the fourth largest investor in Africa behind China, Europe and the United States. Notably, Dubai-based DP World and Abu-Dhabi's AD Ports, both owned by Emirati royal families, have greatly expanded their influence in Africa's ports sector during the past decade.

## Transport Technology

**SMART CONTAINERS PROLIFERATE:** The global “smart” container equipment fleet is [forecast](#) to grow six-fold during the next five years, accounting for 30% of global box inventories by 2027. A container becomes “smart” when fitted with a telematics device that provides real-time tracking and monitoring. This also allows beneficial cargo owners (BCOs) to better understand the exact location and status of their cargo.



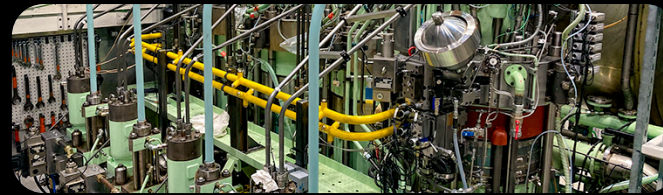
**CYBER ATTACK DATABASE:** NHL Stenden University of Applied Sciences in the Netherlands [launched](#) an open source database exposing cyber hacks across the maritime industry. The Maritime Cyber Attack Database (MCAD) already contains 160+ incidents, including those [impacting](#) vessels, ports and other maritime facilities.



**FULL-ELECTRIC HARBOR CRAFT:** The Maritime and Port Authority of Singapore (MPA) is [inviting](#) companies to submit development proposals for full-electric harbor craft (e-HC) in Singapore. The design would incorporate efficient vessel construction, integrated battery management and energy storage technologies, and vital safety systems (firefighting, cybersecurity, etc).



**AMMONIA MARINE ENGINE:** MAN Energy Solutions [completed](#) the first successful test run of a full-scale two-stroke ammonia marine engine at its Research Centre Copenhagen. The major milestone showed promising data for pilot-oil amount and combustion stability.



Green capabilities [remain](#) an underlying driver for many shipping markets. Clarksons Research estimates that 44% of newbuild tonnage ordered in H1 '23 was alternatively fueled.

- Taiwan's Evergreen Marine [confirmed](#) orders worth up to \$5B for 24 methanol-enabled, dual-fuel 16,000-TEU container [ships](#). These ships add to the growing order backlog of methanol-powered container ships, currently totaling at least 100 vessels and equivalent to about 12% of all vessels on order.
- Maersk recently [received](#) the world's first containership powered by green methanol.
- Methanol is quickly approaching LNG as a mainstream fuel. They're 62 methanol orders secured so far in 2023 as compared to 86 LNG orders.

- The supply chain management software market is [expected](#) to more than double in size, reaching \$34B by 2030. Growth is largely being driven by the adoption of cloud applications that can infuse greater flexibility into the supply chain management process.



Greece's Capital Maritime Group is the first large shipowner to [move forward](#) with large, general-purpose liquified CO<sub>2</sub> carriers (LCO<sub>2</sub>) carriers. South Korean shipbuilder Hyundai Mipo Dockyard (HMD) secured a contract to [construct](#) two carriers specifically designed for the emerging LCO<sub>2</sub> market, but the vessels will also be capable of transporting various liquified cargoes, such as liquefied petroleum gas (LPG) and ammonia (NH<sub>3</sub>).



A new database, CONNEX, was [launched](#) to help South Carolina's supply chain avoid glitches. The free online platform offers one-stop access for the state's manufacturers to connect, find local suppliers, manage their operations, and discover new business opportunities.



The Port of San Diego [received](#) two all-electric Gottwald Generation 6 mobile harbor cranes at its Tenth Avenue Marine Terminal (TAMT), the first of their kind in North America.



## Sustainability

A recent peer-reviewed **study**—authored by researchers from Harvard, Brown, NASA, and Duke—**casts doubt** on natural gas' value as a transitional fuel. This is important because LNG is widely accepted as the most practical alternative fuel for the shipping industry's transition. The researchers' work highlights the effects of methane leakage during the full lifecycle of natural gas production, transport and use.

New near-zero-emissions diesel trucks **increased** 10.2% between 2021 and 2022. For the entire U.S. commercial truck population (Class 3-8) of 15+ million vehicles, 75.6% are powered by diesel, 22.9% by gasoline, 0.46% by compressed natural gas, and 0.85% for others (ethanol, fuel cell, LNG, propane) and 0.09% for **electric**.

BloombergNEF estimates that the unregulated carbon offsets market could **reach** \$1T within 15 years.

The UK government will **expand** its Emission Trading Scheme (ETS) so the domestic shipping industry can enter the program in 2026. The ETS incentivizes decarbonization through a process of buying and selling emissions allowances, which companies must obtain for every ton of emissions produced each year. Companies that are successful in reducing their emissions can then sell unused allowances to other firms.

Virgin Atlantic Cargo **launched** a Sustainable Aviation Fuel Certificate (SAFc) program to provide greater insight into carbon reductions generated while using SAF. The SAF certificate for scope 3 reductions will provide emissions reduction data on the airline's own airfreight carbon calculator, which has already been independently certified.

In March the Biden administration approved California's **waiver** under the federal Clean Air Act, allowing the state to require zero-emissions technology for trucks. Another recent agreement will **create a Clean Truck Partnership** between CARB, the Truck and Engine Manufacturers Association, and major medium- and heavy-duty truck and engine makers.

The United Arab Emirates (UAE) joined forces with Det Norske Veritas (DNV) to **establish** a new UAE Decarbonization Centre.

Wan Hai Lines signed a 10-year sustainability-linked shipping financing agreement with Standard Chartered Bank. This **marks** the first sustainability-linked shipping finance done by Taiwan's container shipping industry.

Volvo and Westport Fuel Systems want to drive **global adoption** of Westport's HPDI fuel system technology to help cut emissions using alternative fuels. The HPDI fuel system is a patented fuel injector with a dual concentric needle design that injects a small amount of pilot fuel into the cylinder and initiates ignition. The joint venture is expected to launch in H1 '24.

## Laws/Legislation

Starting 3 July 2023, the Port of New York and New Jersey marine terminals have **denied** trucks with model year 1998 engines or older. Only trucks equipped with a 2014 engine model year or newer are permitted to register for access.

The U.S. House of Representatives **approved** a defense spending bill with a provision that limits China's ability to monitor ocean container flows into and out of the U.S. The provision was **included** as an amendment to the National Defense Authorization Act (NDAA), and it prohibits U.S. ports taking federal grant money from using China's state-supported National Public Information Platform for Transportation and Logistics, known as LOGINK.

The U.S. Environmental Protection Agency (EPA) **released** new **guidelines** around per- and poly-fluoroalkyl substances (PFAS), which have been linked to human health and environmental risks. PFAS, colloquially known as "forever chemicals," can be harmful to human health or the environment if sold to consumers.

The Department of Transportation (DOT) is **seeking** comments on possible research and development projects for transportation infrastructure. DOT posted the **request for information** in the National Register and will accept written submissions until July 21<sup>st</sup>. The stated goal is to fund R&D efforts that have a "...clear pathway to commercialization and widespread cross-modal deployment within 5-10 years."



In a real world game of Go (Weiqi), Germany's federal government **published** its first ever "Strategy on China," a 40-page **document** outlining how the country will reduce its dependence on China in critical sectors such as medicine and lithium batteries.

The latest Western sanctions **against** Russia target oil exploration and production capabilities. Among the companies **sanctioned** are several firms providing engineering, technology, drilling and maritime services for upstream operations.

The U.K. recently **joined** the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The UK will be the first European member as well as the first non-founding member. The agreement still requires ratification and is expected to become relevant in 2024.

Northern Ireland **launched** its duty reimbursement scheme on 30 June 2023. Traders who move goods into the country can reclaim EU duty when demonstrating that the goods were sold or used in Northern Ireland or somewhere else outside the EU.

The EU adopted regulations aimed at promoting a circular battery economy. The new laws will **introduce** labelling and information requirements on a battery's components and recycled content by 2026, and an electronic "battery passport" with a QR code by 2027. These rules will apply to all batteries, including electric vehicle batteries, industrial batteries, and waste portable batteries.



# Disruption



BACK TO TOP

A 2021 blockage of the Suez Canal [grabbed](#) headlines around the world. Now, the Panama Maritime Authority (PMA) has published a 68-page investigation report into the incident, placing much of the blame on the pilots. Apparently, the vessel's traffic management system, the pilots and the master had not properly evaluated poor weather conditions, so the vessel should have sought the assistance of tugs during its northbound transit. Strong winds and reduced visibility eventually led to the blockage.

Mundra Port, India's top container handler, continues to [manage](#) cargo backlogs created during cyclone-related disruption last month.

Labor disruptions were one of the biggest disturbances [during](#) H1 '23, up 136% compared to H1 2022.

Factory fires [were](#) the leading supply chain disruption with 1,642 instances in H1 '23, a 20% YoY decline.

Major rainfall and flooding recently [swept](#) through the U.S. Northeast. Vermont Rail System's 400-mile network, with routes in New York, Vermont, and New Hampshire, suffered the worst damage in its home state of Vermont, with washouts and slope failures on several lines.

The number of armed robberies against Asian ships was up 40% (59 total) during H1 '23, [according](#) to the ReCAAP Information Sharing Centre. Singapore and the Malacca Straits accounted for roughly 2/3 of all incidents.

## DROUGHT CONDITIONS

- Drought in Spain is so extreme that virtually no aspect of daily life has been left [untouched](#).
- Engineers [conceived](#) a solution to the Rhine river's reoccurring low water levels: a new kind of barge with a shallower draft [designed](#) specifically for the climate-change era.

*Vilanova de Sau water reservoir, Barcelona province (Spain, Catalonia). Photo taken on 5 March, 2023.*



## BLACK SEA CRISIS ESCALATES

Russia [pulled out](#) of the Black Sea Grain Initiative, an agreement that allowed Ukraine to export grain despite a military blockade. Over the past year, more than 1,000 ships—containing nearly 33M metric tons of grain and other foodstuffs—[left](#) Ukraine from just three ports: Odesa, Chornomorsk and Yuzhny/Pivdennyi. These new developments threaten to upend global food and commodities markets, particularly for wheat. As both countries enter their harvest seasons, the U.N. is [scrambling](#) to reach an agreement and keep trade flows predictable.



Verbal threats between Moscow and Kyiv have escalated recently, with both sides warning they could target ships heading toward the other's ports:

- Russia's navy recently [conducted](#) a live fire exercise in the Black Sea as a threat.
- Recent events [demonstrate](#) that Ukraine can indeed enforce their blockade of the Black Sea and the Kerch-Yenikal strait if they want to.

## CANADA WEST COAST LABOR DEAL

The International Longshore and Warehouse Canada (ILWU) and the British Columbia Maritime Employers Association (BCMEA) [reached](#) a new tentative agreement, with the help of the Canada Industrial Relations Board. Both parties agreed to recommend ratification in a [joint statement](#) released July 30<sup>th</sup>.



BC Maritime  
Employers Association

## UPS & TEAMSTERS REACH AGREEMENT

Teamsters' local unions representing 340,000 full- and part-time workers at United Parcel Service Inc. (UPS) [voted](#) 161-1 to endorse a tentative agreement reached on July 25<sup>th</sup>, recommending its passage by the full membership.



The agreement, estimated at roughly \$30B by the union, [provides](#) wage increases, one more paid holiday, and air conditioning in the delivery trucks. The deal also eliminates a two-tier pay system and forced overtime for delivery drivers.