



# Market Report 11/2023



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Trade lane data, overarching supply chain trends, new service offerings, carriers' business performance, rates, pricing, trade developments, etc.

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Severe weather, congestion, geopolitical incidents, accidents, etc.

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### Note

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



Recent analysis [predicts](#) that the maritime industry's harshest overcapacity will likely be seen in 2024, and by 2026, 1/3 of the overcapacity will have been absorbed.

Trade between China and Russia grew substantially during the first seven months of 2023, [reaching](#) \$134.1B, a 26.5% year-over-year (YoY) increase.

- Capacity on East Asia-Russia routes has [risen](#) by 44% over the past year: Linerlytica's latest report shows that East Asia-Russia capacity now stands at 121,757 TEU, up from 84,818 TEU in Oct. '22.

Blank sailings during China's Golden Week holiday will [cause](#) throughput at North Europe's ports to fall significantly, according to Drewry. Ocean carriers are expected to blank 70+ major trade lane sailings.

Westbound transatlantic ocean rates are so low that many throughout the maritime industry are now [viewing](#) the trade lane as an ongoing disaster.

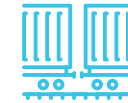


United Airlines will [buy](#) 110 more aircraft: 50 Boeing 787-9 Dreamliners and 60 Airbus SE A321neos, with expected delivery between 2028 and 2031.

Globally, air freight volume is [down](#) 6.1% through Sep. '23 as compared with the same period in '19, but recent IATA data [shows](#) that monthly air cargo demand has actually grown YoY for the first time in 19 months, primarily due to a 30% [increase](#) in belly capacities.

The number of shippers [committing](#) to long-term air freight contracts (6 months or more) rose to 34% in Q3 '23, up from 28% in Q2.

Saudi Arabia will [open](#) its domestic aviation industry to more competition, with the government expected to make a \$100B investment in the sector before the end of the decade. The kingdom's General Authority of Civil Aviation will allow airports and ground-handling operations to be privatized and airports will also receive an incentive plan to raise their quality standards. License processes for service providers will also be streamlined.



At least 19,000 trucks loaded with \$1.9B of goods were recently [stuck](#) on Mexico's side of the Mexico/USA border amidst a border-security crackdown. More details can be found in the 'disruption' section on page 9.

Q3 '23 data [showed](#) how defunct Yellow Corporation's \$5B in freight share was redistributed to other less-than-truckload (LTL) carriers. Jack Cooper Transport is one of the latest companies to take interest, [making](#) a nearly \$2B bid to snatch up Yellow's assets.

Africa's biggest rail network, Transnet, has [seen](#) its cargo volume [collapse](#) by 1/3 over the last five years. Transnet's board recently [presented](#) a recovery plan to drive traffic recovery and enhance rail operations, under which Transnet Freight Rail will be [divided](#) into two separate divisions: Transnet Freight Rail Operating Company (TFROC) and Transnet Rail Infrastructure Manager (TRIM).



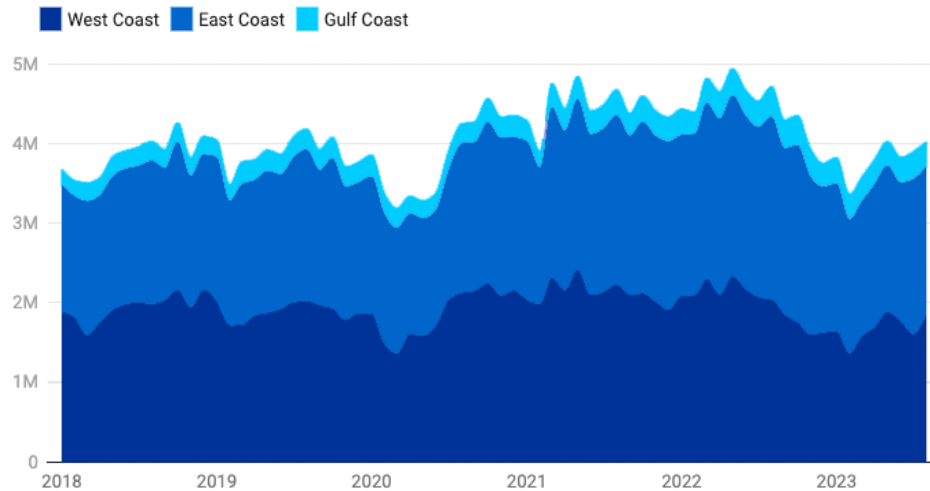
# Market Trends



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## PORT VOLUMES RETURN TO PRE-PANDEMIC LEVELS

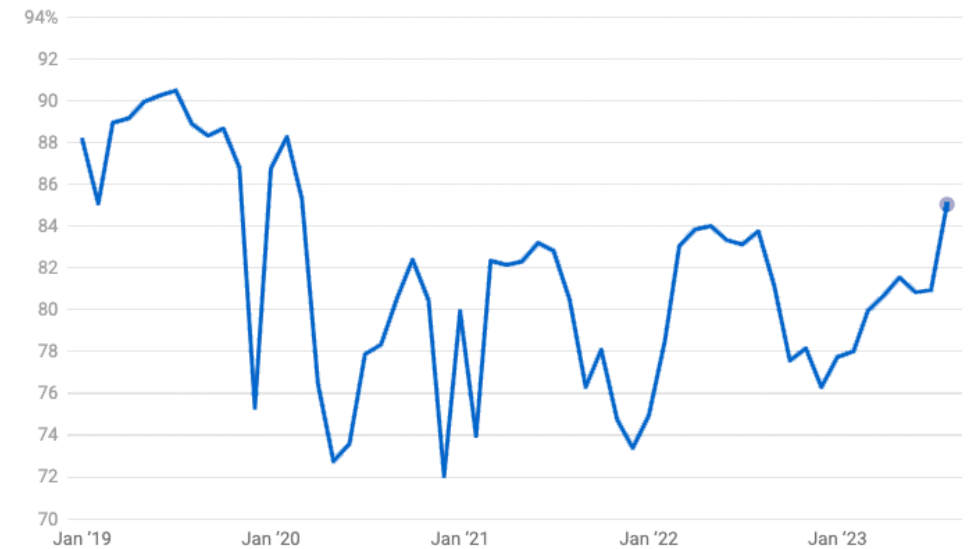
Total TEUs at the top 12 U.S. ports; sorted by coast



Data source: Edwin Lopez, Supply Chain Dive, Datawrapper. West Coast figures include Los Angeles, Long Beach, Oakland, Seattle and Tacoma. East Coast figures include the top ports in New York and New Jersey, Georgia, South Carolina, Virginia and Florida. Gulf Coast figures represent Port Houston volumes.

## PARCEL CARRIERS' ON-TIME PERFORMANCE

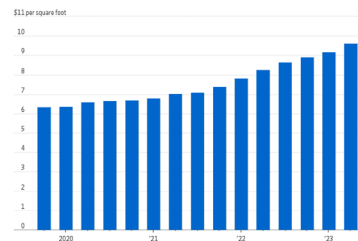
Percentage of last-mile shipments that arrived on time as compared to the initial estimated time of arrival.



Data source: Project44 data, Datawrapper, Max Garland, Supply Chain Dive

## RIISING RENTS

U.S. warehouse rents have been rising even as leasing slows



Data source: Cushman & Wakefield accessed via WSI



## SERVICES

Norfolk Southern Railway will [start](#) accepting more ocean containers at its Midwest terminals for shipments destined toward the West Coast, specifically: Cincinnati, Cleveland, Columbus, Detroit, and Louisville.

Mack Trucks is [offering](#) an all-in monthly subscription for its new medium-duty electric trucks to address concerns about the high upfront costs of acquiring them. The Electrifi Subscription [allows](#) customers to 'pay as they go' for miles driven.

Union Pacific [launched](#) a new intermodal service [between](#) Mexico and the southeastern U.S.

Hong Kong Air Cargo [expanded](#) into Europe for the first time with a new flight operating in Italy.

Freightliner will [introduce](#) 25 new rail freight services in Britain on 2 October 2023, including a new route from the port of Felixstowe to Daventry in the Midlands.

## MERGERS & ACQUISITIONS

The European Union's new antitrust commissioner will [take](#) a tougher stance on air freight mergers and competition. There will be tougher concessions on airport take-off and landing slots as airlines must ensure slots are allocated to rivals on routes with competition concerns. Airlines may also be asked to sell assets that are not critical to their passenger business in order to gain clearance.

Air France KLM plans to buy a stake in troubled Scandinavian carrier SAS AB, further consolidating the region's operators. Air France will also [invest](#) as much as \$144.5M for 19.9% of SAS, with the option to take a controlling interest after two years.

Frontline [acquired](#) 24 ECO Very Large Crude Carriers (VLCCs) from Euronav, solidifying its position as the largest publicly-listed tanker company in terms of deadweight tonnage (dwt). The newly purchased ships have an average age of 5.3 years, with a total purchase price of \$2.35B. Frontline now has 89 vessels total.

HITACHI Rail can now [proceed](#) with its €1.66B acquisition of Thales' Ground Transportation Systems (GTS) business, after receiving conditional approval from the European Commission.



UPS will [acquire](#) time-critical logistics firm MNX Global Logistics as the company works to [enhance](#) its healthcare capabilities. MNX is a key player in radio-pharmaceuticals and temperature-controlled logistics, providing next flight out (NFO) services, air charters, on-demand couriers, managed transportation, service parts logistics (SPL) and specialty freight.

CSX and CPKC are working to [acquire](#) portions of the Meridian & Bigbee Railroad, currently a subsidiary of short line operator Genesee & Wyoming. The acquisition would likely [create](#) more efficient rail freight flows between Mexico, Texas and the southeastern U.S.


A private equity firm [paid](#) \$1.2B to acquire Logistec, a key Canadian marine transportation provider. The Quebec-based company provides bulk, break-bulk, and container cargo handling in 60 ports and 90 terminals throughout North America.


Investment firm Stonepeak will [acquire](#) Textainer Group, one of the world's largest container lessors, in a deal valued at \$7.4B.


## Infrastructure

-  The Canadian government is [investing](#) CA\$150M (USD \$110M) to develop a new container terminal at the Port of Montreal. Construction could start in Q4 '23, with the terminal's commissioning slated for the end of 2026.
-  Nearly a decade after beginning the environmental review process, British Columbia's Ministry of Environment and Transportation has [approved](#) the \$3.5B Roberts Bank Terminal 2 expansion. The project [proposes](#) three new berth marine container terminals that will require widening of the existing causeway and tug-boat basin.





-  Mexico's government is [reviving](#) a railway between the Gulf of Mexico and the Pacific Ocean. The \$2.8B Tehuantepec isthmus corridor will feature a 308km railway between renovated ports at Salina Cruz in Oaxaca state and Coatzacoalcas in Veracruz, with several industrial parks and airports along the route.

-  Ongoing marine terminal projects at the Port of New York and New Jersey [will add](#) another 12 cranes to support ultra-large container ships. Additionally, CMA CGM detailed plans to invest \$600M to upgrade its newly-acquired terminals as part of its U.S. expansion plan.

-  Georgia Ports Authority (GPA) is [spending](#) \$4.5B over the next 12 years to prepare Savannah's facilities for growth. Projects include renovating the ocean terminal to become a fully containerized facility with a capacity of 1.5-2M TEUs. The port will also enhance its yard capacity, equipment, and navigation and technology capabilities.



-  Maersk [inaugurated](#) a new 130,000 square foot airfreight gateway near Los Angeles International Airport (LAX) as part of its North American [expansion](#).

-  East Java Multipurpose Terminal (EJMT) began [constructing](#) an ambitious project in East Java, Indonesia, encompassing a 300-meter quay line, breakwater, super heavy lift breakbulk deck, and dredging of the navigational channel to a depth of 13.5 meters.



-  Kazakhstan's Ministry of Transport and China's State Committee for Development and Reform [signed](#) a memorandum of understanding (MoU) to build a third rail link between the two countries. The new line will be around 250km long, running from Ayagoz on the Charsk-Aktogai main line in Kazakhstan toward Tacheng in China. The project also includes the construction of a freight terminal and customs facilities at the border.
-  In related news, Several key Chinese railway construction projects have recently [progressed](#), with the changes expected to improve regional connectivity.

## Transport Technology

### STARLINK BEGINS TO PROLIFERATE

- Maersk will [install](#) SpaceX's Starlink satellite internet on its fleet of 330+ owned containerships, with [implementation](#) expected to finish in Q1 '24.
- Mitsui O.S.K. Lines (MOL) will also [install](#) Starlink satellite communication service on 233 of its ocean vessels.

Japan's government will [provide](#) \$205M for research into hydrogen-powered aircraft.

Saudi Arabia Railways (SAR) and Alstom will [demonstrate](#) a hydrogen train in Riyadh this October, the Middle East's first use of hydrogen traction in a rail vehicle.



Mercedes Benz Trucks [unveiled](#) its own heavy-duty electric truck to compete with Tesla's battery-powered Semi. The eActros 600, which can travel 311 miles on a single charge while hauling up to 22 tons in cargo, will go on sale soon.



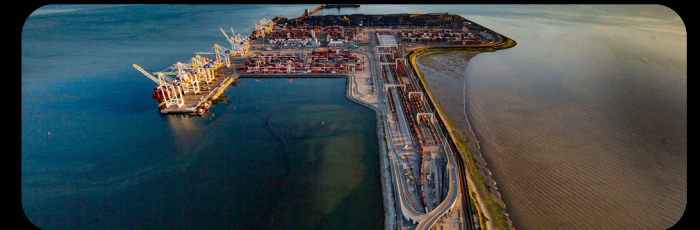
Uber Freight, an application that [matches](#) trucking companies with loads to haul, provided multiple updates on various technology-focused services and initiatives.

Samsung Heavy Industries has [developed](#) a patent-pending device that will dramatically decrease the number of containers lost overboard. Initial tests show that loss rates can be reduced by up to 70% without impacting the vessel's loading capacity or operations.

While addressing the Global Maritime India Summit 2023, President Narendra Modi [said](#): "In the next decade, India will become one among the top-five shipbuilding and repairs nations of the world." China is currently the world's largest shipbuilder and steelmaker by a wide margin.

The Vancouver Fraser Port Authority [introduced](#) its first centralized scheduling system for commercial ships to hopefully improve cargo safety and trade flow efficiency.

The Port of Hamburg, the Port of Halifax, and the Port of Valencia are [working](#) to create a global alliance of port innovators. Different groups are actively connecting innovation hubs, with the project now entering the last phase of network design.



Shipbuilder HD Hyundai Heavy Industries recently [signed](#) a contract to construct 17 new liquefied natural gas (LNG) carriers with Qatar Energy worth \$3.9B.



## Transport Technology

Two key South Korean entities are [reporting](#) a breakthrough in the development of electric propulsion systems designed for supertankers.

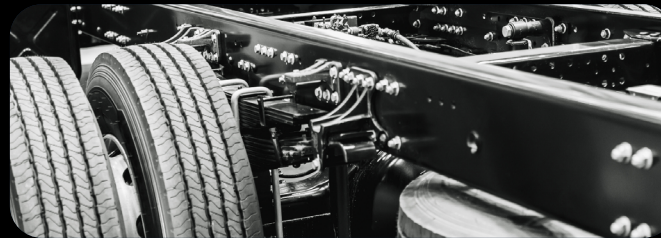


Cummins will soon [release](#) the Open Telematics Framework through the Eclipse Foundation's Software Defined Vehicle (SDV) Working Group. The goal is for companies to collaborate on solutions and collectively grow their capabilities, thus enhancing the Open Telematics Framework to serve an even broader range of developers, OEMs, and aftermarket telematics providers. Shipping fleets would benefit from enhanced consistency and faster availability of digital features throughout the industry.

CMA CGM currently has 116 new vessels on order, [second](#) only to MSC, the world's largest carrier.

Mitsui O.S.K. Lines, Ltd. (MOL) [announced](#) the launch of MarTrust, an ocean shipping payment service for all seafarers onboard vessels controlled by MOL Group companies.

The North American Chassis Pool Cooperative (NACPC) is a new international chassis pool launched in Memphis. Notably, NACPC recently [reached](#) key agreements to supply equipment for Ocean Network Express (ONE) and BNSF Railway. The pool currently has 2,500 units, but the goal is to double that number in 2024.



The majority of Hapag-Lloyd's container fleet will be 'smart' by the beginning of 2024. The company recently [installed](#) its 700,000th tracking device out of a total of 1.6M containers.



## Sustainability

A shortage of repair yards with experience in ship conversions may [hinder](#) the long term adoption of alternative fuel technologies. One of the key [challenges](#) with retrofits is system integration: accommodating larger fuel tanks, space for fuel preparation equipment, and ensuring proper safety measures.

Fleet readiness for zero-emission fuels is [rising](#): there are 225 ammonia-ready and 120 methanol-ready vessels in service or on order.

Xeneta [named](#) Ocean Network Express (ONE) as the most carbon-efficient carrier this year.

Deloitte's CxO Sustainability Report [found](#) that 65% of executives said the changing regulatory environment made their organization increase its climate action over the last year.

Maersk and Kodiak Robotics [announced](#) the first commercial autonomous trucking lane in the U.S. [between](#) Houston and Oklahoma City.

A recent IBM poll found that only 45% of companies [believe](#) they are ready to [report](#) their Scope 3 greenhouse emissions by 2024, and just 38% said their businesses currently measure Scope 3 footprints. The survey drew from a sample of 3,250 business leaders from 13 countries, defined for the survey as "decision-makers in IT and sustainability strategy within their organization."

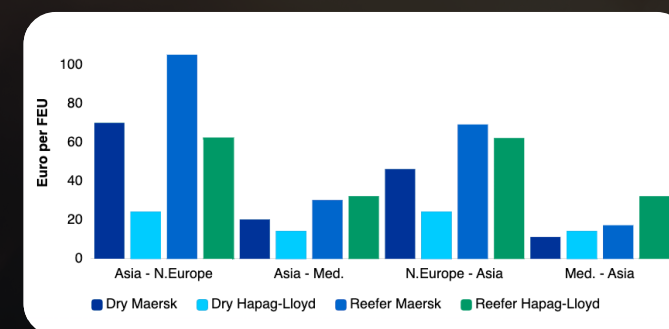
The Ports of Los Angeles, Long Beach and Shanghai will [create](#) the first-ever transpacific green shipping corridor.

TuSimple's On-Road Maneuver Performance [Study](#) on autonomous trucks [revealed](#) fuel efficiency improvements, showing TuSimple's Level 4 autonomous technology averaged an 11% overall fuel efficiency advantage over manually driven trucks, which correlated with earlier findings.

DP World [raised](#) \$1.5B through a 'Green Sukuk' to support its global decarbonization efforts. For context, Sukuk are Islamic financial instruments representing ownership and profit-sharing in asset-backed investments.

### MAERSK/HAPAG ESTIMATED ETS SURCHARGES

Estimated ETS surcharges per FEU: Q1 '24, Asia to North Europe and Mediterranean trades



Source: Hecla Emissions Management accessed via IQC

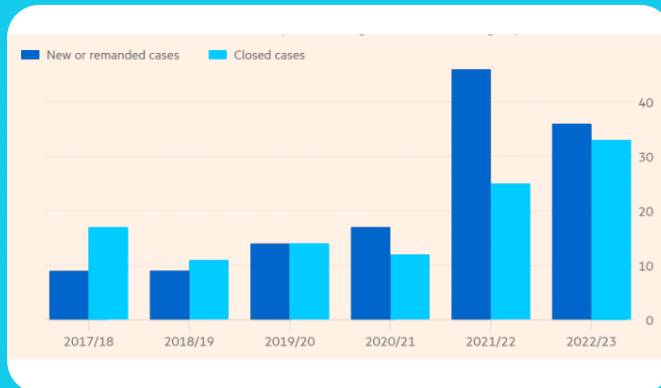
Berge Bulk [retrofitted](#) its newcastlemax bulker, Berge Olympus, which now houses four BARTech WindWings by Yara Marine Technologies and is the world's most powerful sailing cargo ship. The Berge Olympus will save six tons of fuel per day on an average worldwide route and, in the process, reduce CO<sub>2</sub> emissions by approximately 19.5 tons per day.



## Laws/Legislation

### FEDERAL MARITIME COMMISSION'S CASELOADS

Data shows that the FMC's number of new and closed cases surged during the pandemic. The following graph below shows fiscal years starting in October and ending in September.



Source: Federal Maritime Commission, accessed via Financial Times. Note: does not include cases related to illegal charges that were reported through the FMC's fast-track complaints system introduced last year.

The Transport & Security Administration's (TSA) Impractical to Screen (ITS) cargo program **expired** on 31 October, 2023 and will not be extended. Now, the air freight supply chain must be in accordance with the Certified Cargo Screening Program (CCSP) or be screened by the air carrier.

California's Governor vetoed **Assembly Bill 316**, a state bill that would have **banned** humanless truck testing and operations in the state.

The Dutch government **launched** a sweeping maritime manufacturing industrial policy aimed at driving the country's transition to cleaner energy while also ensuring economic and military security.

## Tariffs/Surcharges

Many major ocean carriers are **implementing** new fees and surcharges to comply with EU's impending Emissions Trading System (ETS) emissions regulations.

- CMA CGM **detailed** how it will pass ETS costs onto customers, including a €37 per TEU surcharge for vessels calling between European ports. The figures, including a €25 per TEU surcharge on Asia-Europe trades and a €48 surcharge on intra-Europe reefers, are estimations based on the current market value of €90 per ton of CO<sub>2</sub> equivalent (CO<sub>2</sub>e). The eventual surcharge amounts will be **released** in mid-November.

Saia, the United States' ninth largest less-than-truckload (LTL) carrier, will **implement** a general rate increase (GRI) on LTL and truckload shipments, effective 4 December 2023. The increase will cost shippers "on average" around 7.5%, and Saia's announcement is expected to be the first of many amongst LTL carriers.

Panelists **discussed** peak season surcharges during a recent virtual event "Insights into the Holiday 2023 season." A key takeaway: carriers are seeing less density in their networks, prompting per parcel costs to spike.



# Disruption



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## MEXICO/USA BORDER CONGESTION



Increased cross-border migration **combined** with economic and political tensions have created severe bottlenecks at the border. Texas' Department of Public Safety (DPS) has increased **inspections** of commercial trucks at various checkpoints and poor infrastructure is compounding the congestion as many road networks aren't built to handle the growing volume.

- U.S. Customs regularly publishes wait times at each border crossing on its [website](#).



Photo source: Jose Luis Gonzalez, Reuters



Ukraine's three main seaports are all **accepting** ships and >50 transits have now occurred along the Black Sea Corridor.



The Panama Canal's booking slots **will be cut** to 25 per day starting 3 November 2023 from an already reduced 31 per day. They will continue gradual reductions over the next three months until reaching 18 slots.



The Swiss Transportation Safety Investigation Board **published** its interim report regarding the derailment of a freight train in the Gotthard Base Tunnel. Supposedly, the train wheel failed due to fatigue (vibration cracks) in the tread and these cracks then developed to become a forced fracture.



A tentative labor deal **ended** a strike by Canadian workers on the St. Lawrence Seaway. The trade route, which connects the Great Lakes with the Atlantic Ocean, reopened on 30 October 2023.

The supply chain is one the fastest **growing** areas to execute malicious code and the number of these packages detected across open-source ecosystems tripled YoY.

- In a recent example, Estes Express Lines, a key less-than-truckload (LTL) carrier, **lost** access to its website, email and freight tracking systems on 2 October 2023 due to a cyberattack.



## ETHIOPIA WANTS DIRECT ACCESS TO THE RED SEA



Somalia recently rejected an Ethiopian **appeal** to negotiate access to a key Red Sea port, with most of Ethiopia's trade currently moving through Djibouti. Ethiopian Prime Minister Abiy Ahmed **warned** this is a potential source of future conflict and called for renewed efforts to address the issue and safeguard regional stability.

- For context, Ethiopia is landlocked, having lost direct ocean access in 1993 when Eritrea gained independence after a three-decade war.

