



Market Report 12/2023



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Note

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

The delivery of new vessel capacity **threatens** to put global shipping into a protracted slump. 2024's ongoing influx will likely continue dragging freight rates downward.



The World Health Organization (WHO) **estimates** that by 2030, 1 in 6 people will be aged 60 years or more, and by 2050, this will **double** to approximately 2.1B. Older populations will likely create more demand for home-based services, requiring companies to develop supply chains that extend into the home.

Since the COVID-19 pandemic there have been many stories written about nearshoring—when manufacturing is brought closer to the end customer—but container volume data **does not** support the idea of increased nearshoring.

In 2022 global marine insurance premiums **increased** by 8.3% to reach \$35.8B. This was largely driven by trade rebound, rising asset values, reduced market capacity, and premium adjustments.

🇺🇸 U.S. companies continue to **shift away** from Chinese manufacturing. Boston Consulting Group's (BCG) new **study** found that India may be the biggest winner, with exports toward the U.S. increasing by \$23B, up 44% from 2018-2022.

- >95% of containers are currently **made** in China, with the market dominated by three state-owned enterprises, but this will shift as manufacturers develop more factories elsewhere.

🇨🇳 Chinese and Greek shipping companies now collectively **own** 1/3 of the world's total fleet's deadweight ton capacity.

🇦🇺 Australia's government is **creating** a "national strategic fleet" of 12 ships (various types) that can be relied on during times of crisis.

🇮🇳 A 12km rail link **connecting** India and Bangladesh reopened for the first time since the two countries separated in 1947.

🇮🇳 The rail line will reduce the distance between Kolkata in West Bengal and India's seven northeastern states from approximately 1600km to 500km, cutting travel times by +/- 22 hours.

- ★ Vietnam's deployed ocean capacity (measured in 20' TEUs) has seen an **explosive** 83% jump from 2019-2023.
 - By 2030 Vietnam's air cargo is **expected** to reach 270% of its current volume, according to the U.S. International Trade Administration.

🇺🇸 **U.S. CONTAINERIZED IMPORTS FROM CHINA**
Imports have **surged** 33% from their recent low in February '23. The U.S. imported 2,307,918 (20' TEUs) of containerized goods in October, up 3.9% year-over-year (YoY) and up 4.7% compared to September '23.

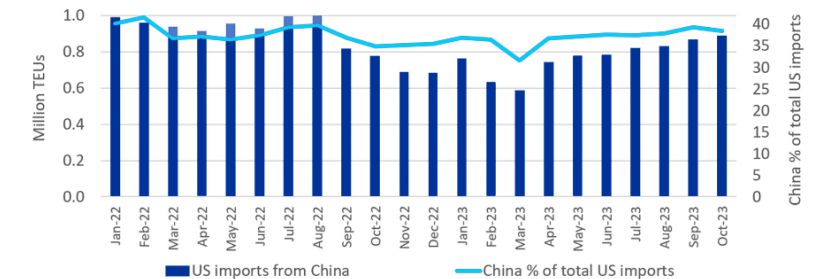


Chart: FreightWaves based on data from Descartes Datamyne

🇺🇸 According to the Federal Motor Carrier Safety Administration (FMCSA), since 2018 the number of private fleets **registered** in the U.S. has climbed almost 19% to reach 898,932, with these carriers including 160,672 shipper-owned fleets in both private and for-hire authority.

Market Trends

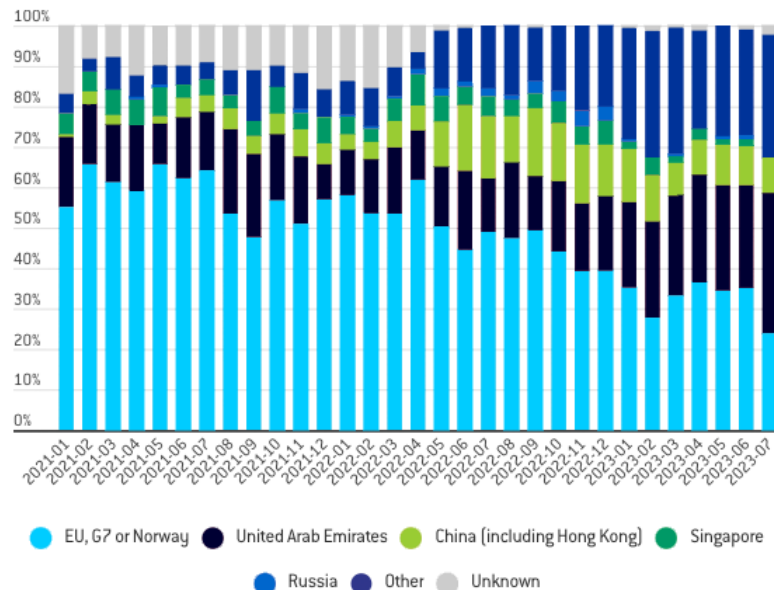



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ORIGIN COUNTRY OF TANKERS CARRYING RUSSIAN CRUDE OIL

Measured by departure month

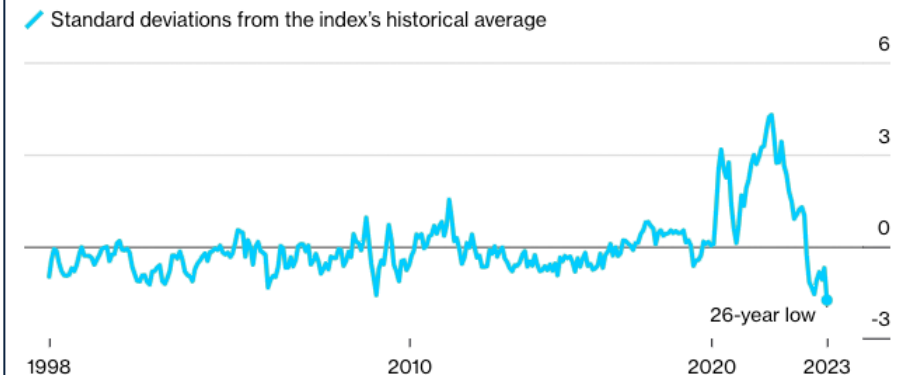
Russia's government is **scrapping** any remaining restrictions on the exportation of diesel fuel and gasoline. The government **imposed** a ban on exports in September '23 to combat surging fuel prices that were contributing to inflation. Seaborn Russian oil is almost entirely **heading** to Asian markets, with India, China and Turkey being the biggest buyers.



 Russia-China rail freight volumes have **climbed** since the Nizhneleninskoye-Tongjiang bridge opened one year ago. The bridge has played a pivotal role, accounting for 21% of all China-Russia volumes, which were up 22% YoY.

MINIMAL SUPPLY CHAIN PRESSURES

The New York Federal Reserve's "Global Supply Chain Pressure Index" fell to -1.74 in October '23, the lowest metric recorded since 1997.



Source: Federal Reserve Bank of New York accessed via [Bloomberg](#)

SERVICES

- ⊕ Zim Integrated Shipping Services will **relaunch** its expedited service from China to the U.S. West Coast. The premium eCommerce Xpress (ZEX) service will offer a 12.5-day transit from South China to San Pedro Bay.
- ⊕ J.B. Hunt and BNSF Railway are **collaborating** on a new intermodal offering, entitled Quantum. The service aims to convert just-in-time (JIT) shipments to intermodal, targeting customers who have been hesitant to put their service-sensitive road freight onto rail in the past.
- ↻ A new direct rail freight service connects the Port of Barcelona with the French cities of Toulouse and Lyon. Notably, it will be the **first rail service** from Spain to France that will not require transshipment or locomotive changes after crossing the Perthus tunnel.
- ⊕ Roadrunner, a large, U.S.-based less-than-truckload (LTL) carrier, will **launch** cross-border services from the U.S. into Canada on 11 December '23.
- ↻ Maersk is reinforcing its fleet by fixing two 13,100 TEU charters. Maersk's willingness to forward-charter, and for a significant time period, shows that demand **remains** strong in the charter sector.
- ⊕ Union Pacific Railroad (UP) **created** a new intermodal terminal in Phoenix, which will **open** in Q1 '24, **delivering** direct access to Southern California's ports. UP also **launched** a new Midwest rail service from Houston.
- ⊕ Ocean Network Express (ONE) **unveiled** plans for its first standalone container service from India to the U.S. East Coast. The West India North America (WIN) service will start **offering** weekly routes in May '24 from India's western ports of Hazira, Nhava Sheva and Mundra, with U.S. calls at New York-New Jersey, Savannah, Jacksonville, Charleston and Norfolk.
- ⊕ AD Ports Group, in collaboration with KazMorTransFlot (KMTF), Kazakhstan's national shipping company, will **launch** two vessels designed to transport oil across the Caspian Sea. The collaborators also plan to **establish** a shipbuilding and repair facility in the Mangistau region of Kazakhstan.
- ⊕ Orient Overseas Container Line (OOCL) is working to provide more comprehensive service coverage between Japan, Taiwan, Hong Kong, South China, and other surrounding countries.
 - OOCL **introduced** the CIP1 and CIP2 Services, strengthening its China, Indonesia and Philippines network coverage.
 - OOCL will **expand** its service network for Japan and Philippines via its new KTX4 Service.

MERGERS & ACQUISITIONS

ONE **acquired** significant stakes in three major container terminals: a 51% stake in TraPac LLC (TraPac) and Yusen Terminals LLC (YTI) at the ports of Los Angeles and Oakland, respectively, and a 20% stake in Rotterdam World Gateway (RWG) at the Port of Rotterdam.



Bankrupt LTL trucking company Yellow Corp. is **considering** multiple competitive bids at a court-supervised auction. The decision will determine how creditors distribute Yellow's defunct nationwide network of truck terminals to its former rivals.


Local Cincinnati voters **granted** Norfolk Southern (NS) permission to proceed with its purchase of the 532km Cincinnati Southern Railway (CSR). The deal required changes in state law that could only be approved through the Surface Transportation Board (STB) and via a public referendum.

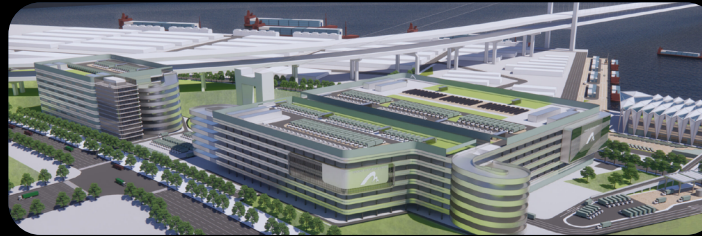
Alaska Air Group Inc. **agreed** to buy rival Hawaiian Holdings Inc. for \$1.9B in cash and debt.

Canada Cartage purchased Montreal-based GTI Group, **expanding** Cartage's business into the U.S. for the first time.

Infrastructure

-  About \$290M out of \$653M in new federal grants will be used to **improve** truck capacity at U.S. ports. 11/41 port projects receiving money are aimed at improving truck freight speed in and out of coastal and/or inland ports.
-  The U.S. Department of Transportation's (USDOT) Port Infrastructure Development Program (PIDP) recently **awarded** \$653M in funding for 41 different projects.
-  In Delaware, the Port of Wilmington's Edgemoor terminal expansion project includes **building** a container yard with all-electric operations and a new truck gate to provide additional cargo capacity, enhance cargo resiliency, reduce emissions, and improve safety. Once complete Wilmington will be able to handle larger Panamax vessels.
-  Seaspan is **upgrading** and expanding its Vancouver drydock infrastructure to help grow the company's ship repair and maintenance operations. The drydock expansion is expected to increase Seaspan's capacity for ship repair projects by about 30%.

-  HKIA Dongguan Logistics Park will be the world's first sea-air intermodal transshipment site where a logistics park is directly **connected** to an airport's airside environment. The new transshipment arrangement is expected to save 50% of the cost and 1/3 of the processing time for cargo.



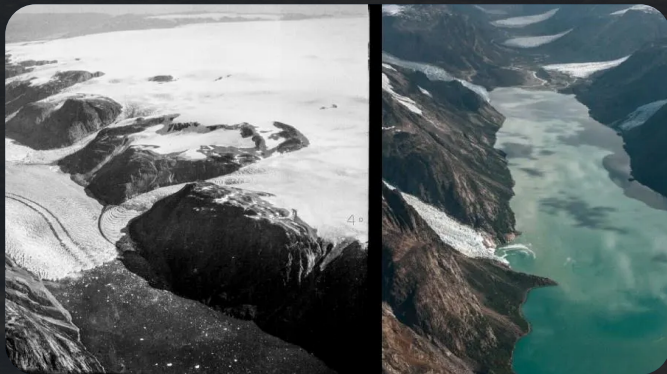
-  The U.S. International Development Finance Corporation (DFC) **announced** \$553M in funding for the Colombo West International Terminal (CWIT) in Sri Lanka. It is the U.S. government agency's largest infrastructure investment in Asia ever. CWIT is a two-phase development, costing about \$1B in total, with phase 1 **expected** to go live by Q4 '24 or Q1 '25.
-  Fremantle Port in Perth **handles** nearly all the container traffic for Western Australia, but it is quickly running out of capacity. The government recently unveiled its preferred design for the relocation of Fremantle's container operations, approximately 15 miles to the south. Importantly, this setup would unite the container operations with the existing bulk cargo operations.

-  Poland's government **unveiled** the Central Communication Port (CPK) project which will include the construction of a new airport, 12 new high-speed lines totaling 2000km, and the modernization of 3700km of preexisting railways.
-  Spain **finalized** the 25km Pajares Base Tunnel, with the new line shortening the distance between León and Oviedo by 37km. The new alignment should increase freight capacity by about 15% as each train can now handle four additional wagons.
-  The Saudi Ports Authority (Mawani) and CMA CGM Group **launched** a new logistics park at Jeddah Islamic Port. The park will expand across a total area of 130,000 square meters, with an investment value of \$129M (SAR 487M).
-  Oman is expected to **invest** \$6.5B (OMR 2.5B) in its logistics sector by 2025.
-  India's government will **move forward** with the proposed International Container Transshipment Port (ICTP) at Galathea Bay, on Great Nicobar Island, at an estimated cost of >\$5B. ICTP is envisaged as a key project under India's "Amrit Kaal Vision 2047," the government's strategic blueprint to spur maritime development.

Sustainability

The Chief Executive Officers (CEOs) of four leading global shipping lines—MSC, Maersk, CMA CGM, and Hapag-Lloyd—[issued a joint declaration](#) at COP 28 [calling](#) for an end to fossil fuel powered newbuild vessels while also urging the International Maritime Organization (IMO), the global regulator, to create the necessary conditions for accelerating a transition toward green fuels.

Researchers [monitoring](#) Greenland's glaciers have discovered that the pace of melting has increased fivefold during the past 20 years. Notably, about 21% of total sea level rise during that timeframe can be attributed to these melting glaciers.



A.P. Moller-Maersk A/S [signed](#) its largest deal with a methanol producer so far, this time in mainland China. The agreement will provide 500,000 metric tons of methanol annually, with the first batch expected in '26.

Dockendale Green Marine Ship Management will be the world's first ship management company exclusively [dedicated](#) to methanol-powered ships. Strategically located in Dubai, the company will focus on fully integrated crewing and technical management of methanol-fueled vessels.

The Economic Zone of the Suez Canal (ZCZONE) [signed](#) a \$15.6B agreement with a group of Chinese companies to boost green fuel manufacturing initiatives.

Britain's railway industry recently [published](#) its Sustainable Rail Blueprint, outlining how it will implement the government's 2021 Rail Environment Policy Statement. The British government wants to see all diesel trains removed from the country's network by 2040.

The Port of Los Angeles and Port of Long Beach will [make](#) \$60M in funding available for the Clean Truck Fund (CTF) through the California Hybrid and Zero-Emission Truck and Bus Voucher Incentive Project (HVIP).

Boeing and the U.S. government are [launching](#) an initiative to catalyze the development and use of Sustainable Aviation Fuel (SAF) among Asia-Pacific Economic Cooperation (APEC) member countries.

Canada's Minister of Transport [announced](#) \$165.4M of investments into the Green Shipping Corridor Program to help decarbonize the marine sector in areas along the Great Lakes, the St. Lawrence Seaway, and Canada's east and west coasts.

- Around the world the number of green shipping corridor initiatives [doubled](#) in the last year from 21 to 44.

Oldendorff Carriers, one of the world's leading dry bulk owners and operators, and the Massachusetts Institute of Technology (MIT) [commissioned](#) a study to analyze the stability and potential for degradation of advanced biofuel. They are now reporting that exposure to air, water, and light contributed significantly to fuel degradation in these advanced blends (B20 blend specifically).

The Environmental Defense Fund (EDF) and Lloyd's Register (LR) Maritime Decarbonization Hub [introduced](#) the "Sustainable First Movers Initiative Identification Tool," a tool that scores a port's potential to produce and bunker electrofuels and deliver local environmental benefits. The system will help shipping stakeholders align their investment decisions with the maritime sector's energy transition away from fossil fuels.

Trade & Compliance



Laws/Legislation

The Biden administration **revealed** an ambitious new partnership: The Department of Homeland Security's "Supply Chain Resilience Center" (SCRC), a cross-government partnership whose purpose is to **collaborate** with the private sector on **identifying** supply chain vulnerabilities, mitigating risk, and scenario planning.

U.S. Customs and Border Protection (CBP) is **asking** customs brokers to ensure they have detailed information on customers using CBP's "Type 86" pilot program for low-value international shipments. The increase in scrutiny comes as CBP processes a rising number of *de minimis* shipments, those valued at no more than \$800.

U.S. lawmakers signed a letter of support to the Department of Transportation insisting that first responders and government agencies be issued with an electronic cargo manifest.

- For example, this would mandate train operators to immediately **surrender** their cargo information to authorities in the event of a derailment. Derailments are still far from unusual in the U.S., with thousands of incidents every year.

The U.S. government recently **abandoned** its policy of advocating for free data flows across borders and its stance against regulations requiring commercial data to be housed behind national firewalls. The policy change has drawn criticism from U.S.-based business groups who argue that conceding the fight will lead to fragmentation and hurt international operations.

Bipartisan U.S. lawmakers introduced a bill that would give America's 2.19M truck drivers the right to overtime pay. A 1938 law guaranteed most American workers minimum wage and time-and-a-half pay if they worked >40 hours in one week; however, that law **excluded** truck drivers. This new bill would **nix** the clause in the 1938 law that exempts motor carriers.

The Biden Administration reinstated African Growth and Opportunity Act (AGOA) trade preference program benefits for one country, Mauritania, and terminated benefits for four others: Gabon, Niger, the Central African Republic, and Uganda. All changes will be effective starting 1 January '24, with more information on USTR's **website**.



Laws/Legislation

The U.S. Commerce Department's Bureau of Industry and Security (BIS) added 13 entities to its "Entity List" for supporting Russia's military through the procurement, development, and proliferation of Russian unmanned aerial vehicles (UAVs). The rule applies severe export restrictions, effectively cutting them off from legal access to items that are subject to U.S. jurisdiction. The rule is in effect as of 2 November '23, with the [full text](#) available on the Federal Register's website.

- So far enforcement of the EU's economic sanctions against Russia have been [hindered](#) by uneven enforcement, trade diversion, and complex financial structures.

To mitigate financial fraud, the U.S. Federal Motor Carrier Safety Administration (FMCSA) is amending its complex regulations around financial responsibility requirements for freight forwarders and property brokers. On 15 November '23, the agency [said](#) brokers, surety providers and financial institutions must comply with new provisions or face immediate suspension, financial failure or insolvency, with enforcement authority beginning 16 January '25.

New regulations for the Import Control System 2 (ICS2) [took effect](#) on 1 December '23. European businesses must conduct self-conformance testing to [ensure](#) their systems are ready to send and receive technical messages. More information about the changes be found [here](#).

The European Union's incoming Corporate Sustainability Reporting Directive (CSRD) would help [provide](#) clarity on what actions companies are taking to reduce their environmental impact. Starting January '24, CSRD will replace existing reporting regulations and increase reporting requirements, thus expanding the number of companies that are required to report.

Reminder: EU members using the Euro as their domestic and international trade currency must use "EUR" for a foreign value or as the currency code. Importers [entering](#) goods from the [euro area](#) may continue to use other currencies besides the euro; however, shipments from the euro area may not use a prior national currency (franc, German mark, lira, etc.) on the entry paperwork.

- The importer/filer is responsible for ensuring the correct currency is listed on the invoice for the purpose of conversion to U.S. dollars (USD), so that the appropriate duties, taxes, and fees are paid.

Tariffs/Surcharges

Most of the world's top carriers have now released their Emissions Trading System (ETS) surcharge estimates. A full list can be found [here](#).



Following industry trends, Maersk [announced](#) a General Rate Increase (GRI) for the India and Middle East markets, effective 1 December '23.

NEW U.S. TOLL SITES

An [overview](#) of new toll locations and when they're expected to open.

- Belle Chasse Bridge in New Orleans: live Q2 '24
- Gordie Howe International Bridge (connects Detroit and Windsor, Ontario): live Q4 '24
- New Choice/Express Lanes in Tennessee: live Q3 '25
- Manhattan, New York, Congestion Pricing: live Q4 '25
- California Otay Mesa II: live Q4 '26

South Africa is **experiencing** an unprecedented supply chain crisis, especially during Q3 and Q4 '23, with severe backlogs and delays at key ports **affecting** the entire economy.

The Ukraine/Poland border became heavily congested after Polish truckers **blocked** all three checkpoints during a work stoppage. There were roughly 2,500 trucks waiting to cross at one point.

Swiss Federal Railways (SBB) **announced** that repair work on the damaged western bore of the 57.1km Gotthard Base Tunnel will take until September '24 to complete. The world's longest rail tunnel will not be restored to full capacity until '25.

A U.S. warship and three commercial vessels recently came under **attack** in the Red Sea. The attacks are creating fear that the ongoing military conflict between Israel and Hamas could spread across the Middle East and disrupt regional stability.

The Amazon's Manaus River is still **facing** navigational challenges due to a substantial reduction in its water levels, but the situation is slowly improving.

CargoNet **recorded** 692 theft events across the U.S. and Canada during Q3 '23, a 59% increase when compared to Q3 '22. Thieves stole >\$31.1M in goods overall.

Members of the United Auto Workers (UAW) union **ratified** new contracts with Ford and Stellantis—following a similar deal with General Motors—which will raise pay, force automakers to absorb higher costs, and help reshape the auto industry as it moves away from gas-fueled vehicles.

A Russian missile strike damaged a civilian vessel while entering one of Odessa's three active ports. Recent photos **suggest** the ship was the Liberian-flagged bulk carrier Kmax Ruler and that the ship's bridge was hit.



A sweeping snowstorm recently **hit** Alaska, causing severe delays and congestion at Ted Stevens Anchorage International Airport.

ILA CHIEF RAISES STRIKE POSSIBILITY ON MULTIPLE COASTS

The president of the International Longshoremen's Association (ILA)—representing >70,000 dockworkers in the U.S. and Canada, and Puerto Rico—**warned** of a possible strike next year if the union doesn't reach a new labor deal with employers. The ILA has pledged not to extend its contract past the September '24 expiration, and that the union should be prepared for a strike in October '24 if needed.



DP World, which **manages** almost 40% of goods **flowing** in and out of Australia, recently experienced a severe cyberattack. DP World Plc **detected** a hack that forced it to quickly restrict access to four of the nation's largest ports.

As cyberattacks become an increasing threat, it's important to better understand how supply chain stakeholders can respond during times of crisis. **This article** shows how a recent cyberattack impacted Estes Express Lines and how the company responded over time.



PANAMA CANAL'S DROUGHT ALTERS WORLD TRADE

- [According](#) to the Panama Canal Authority, October '23 was "the driest since the earliest registers, 73 years ago."
 - In response, most ocean carriers are [imposing](#) new surcharges for ships transitting the canal.
-
- The ongoing [drought](#) is bringing dramatic changes to world's seaborne gas and oil trading patterns, stretching the overall tons/miles needed.
 - Spot rates are [surging](#) for product carriers (specialized tankers carrying diesel, gasoline and jet fuel).
 - There's a real chance that no large tankers will [transit](#) the Panama Canal starting in '24.
 - Very Large Gas Carriers (VLGCs) are likely to be excluded from the interoceanic waterway next year.
 - For the first time in 2+ years, LNG shippers [preferred](#) using the Cape of Good Hope, even though it takes up to two weeks longer and is almost 6,000 nautical miles further.
-
- There are now 120+ ships [waiting](#) to transit the Panama Canal, considerably higher than the 90-ship average of the past seven years.
 - Disruption is [making](#) it harder for empty vessels to get from Pacific to Atlantic markets.
 - Average wait times have [tripled](#) and even quintupled for ships without reservations.
 - Money for an auctioned slot is [added](#) onto the canal's usual transit fee, and depending on the vessel's size, it can be around \$1M.

