



Market Report 11/2024



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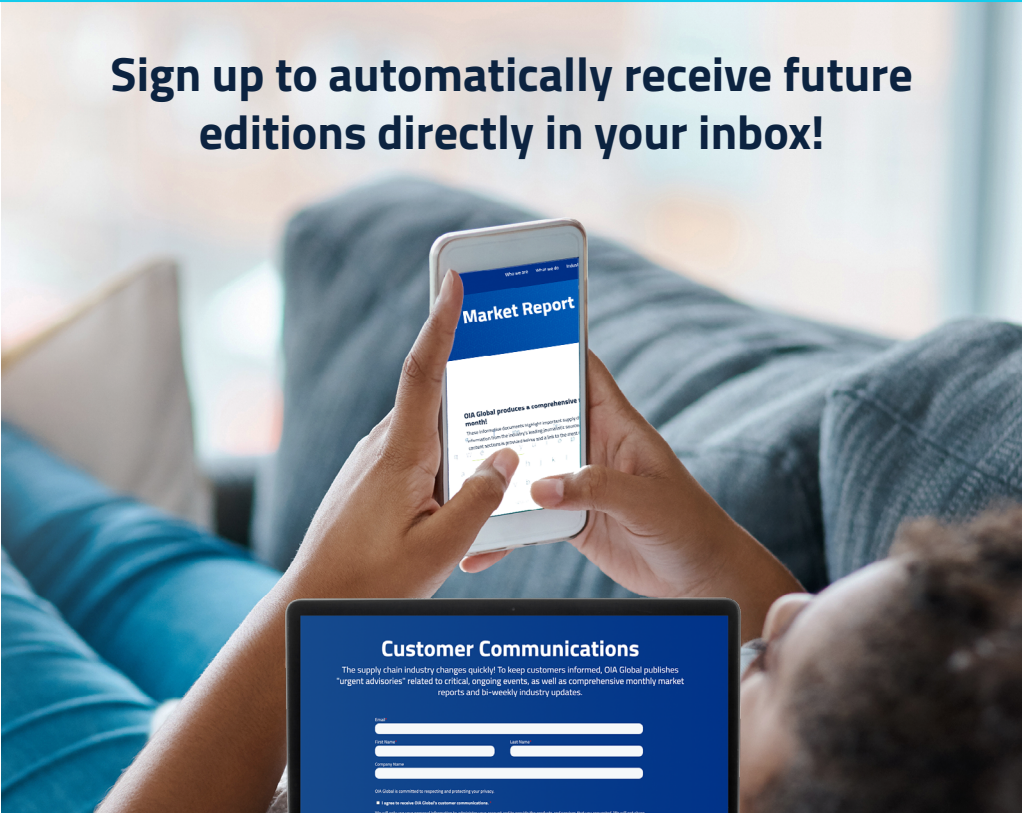
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Note

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

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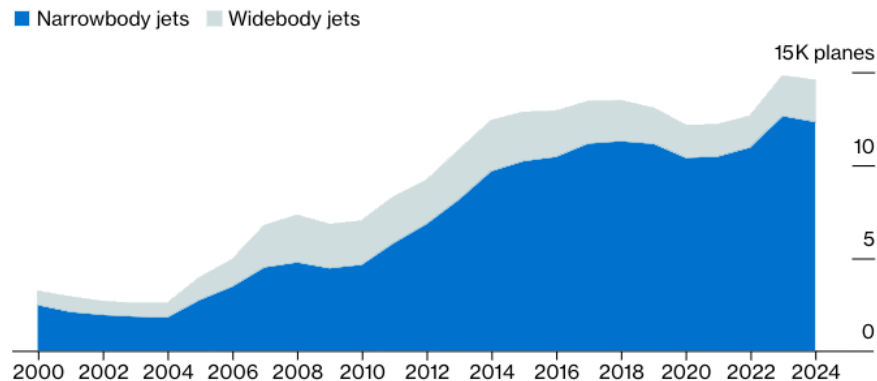
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BOEING & AIRBUS BACKLOGS IMPACT AIR FREIGHT MARKET

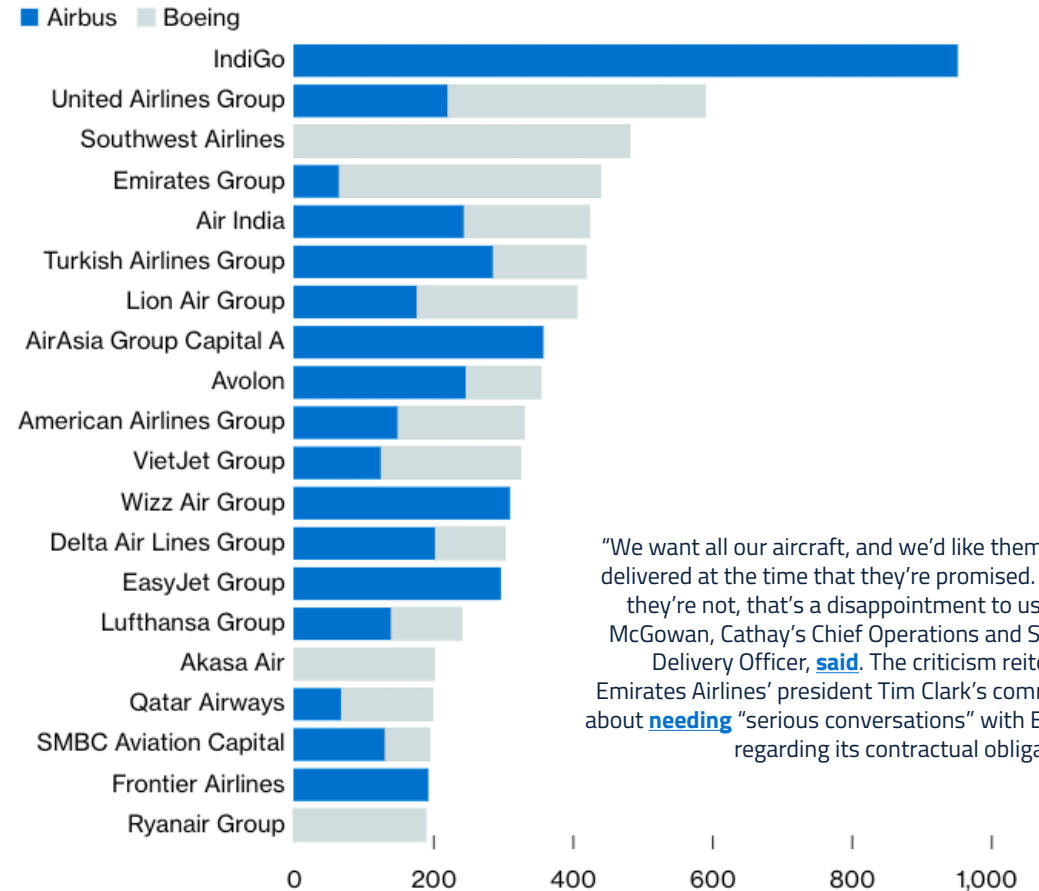
Aircraft order backlogs are at record levels for most of Airbus and Boeing's product lines.

As both companies continue to [delay](#) production schedules, the plane shortages are now [cascading](#) through the global aviation industry, forcing airlines to [pause](#) freight services and halt expansion plans. This [lengthy article](#) details Boeing's ongoing struggles and potential future scenarios.

- Narrowbody jets, the backbone of the global fleet, are hardest hit by these shortages. Roughly 3,700 single-aisle planes that were expected to arrive between 2019-2028 won't be built on time.



Source: Cirium accessed via Bloomberg. Note: Data showing Boeing and Airbus aircraft on order, as of 25 October 2024.
Note: when multiple carriers belong to the same parent, data show combined orders.

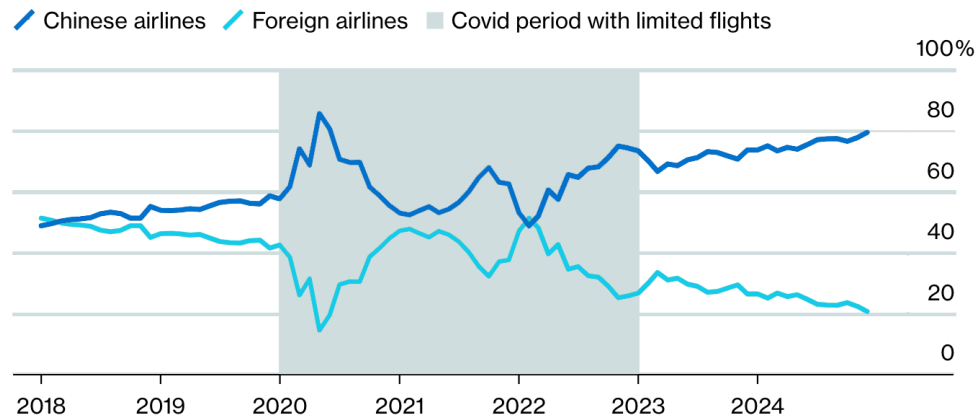


"We want all our aircraft, and we'd like them to be delivered at the time that they're promised. When they're not, that's a disappointment to us," Alex McGowan, Cathay's Chief Operations and Service Delivery Officer, [said](#). The criticism reiterates Emirates Airlines' president Tim Clark's comments about [needing](#) "serious conversations" with Boeing regarding its contractual obligations.



MARKET SHARE BY MONTHLY SCHEDULED SEAT CAPACITY

Foreign airlines are losing leverage on flights between China and Europe, and given the airspace closures over Ukraine/Russia, Chinese rivals now have a distinct advantage in terms of costs and hours spent in the air. Plus, the three biggest Chinese airlines have recently pulled in \$111.1b yuan (USD \$15.7b) in subsidies or government grants, further encouraging their expansion.



Source: Cirium, accessed via Bloomberg.

Air cargo volumes year to date are (YTD) **are** about 12% higher than Q3 '23. For customers relying on air freight, this sustained demand signals that it will be essential to secure space in advance while also planning for higher rates, particularly around peak season.

October's global air cargo spot rate **remained** elevated, averaging \$2.68 per KG, just a few cents below 2023's peak season high.

IndiGo, India's largest airline, **received** approval from the country's regulator to launch a venture capital fund as it hopes to boost the country's aviation market.

Saudia Cargo aims to **boost** its airfreight operations through a new partnership with Cluster2 Airports Company, which manages 22 domestic, international and tourist airports across Saudi Arabia. The Memorandum of Understanding (MoU) will help implement new destination launches and expand freight capacities introduced by national carriers; optimizing land transportation between airports for better connectivity.



Ocean spot rates on the Asia-North Europe trade will likely **bottom out** in October and then rise again through the remainder of '24 as carriers increase blank sailings and rate hikes in anticipation of Chinese New Year.

The U.K. is emerging as a preferred destination to dodge fees from the European Union's Emissions Trading System (ETS).

Although it was widely predicted that ports in Turkey or Morocco would become the tax-dodging leaders, many carriers are adding a call in the U.K. before going onto E.U. ports.

China **leads** the shipbuilding order book in 14/18 major types of projects and many of its shipyards are exceeding their annual targets. Chinese enterprise now accounts for 6% of the global newbuilding orders (193.3m DWT).

Wan Hai will add 30 newbuild ships (308,339 TEUs) to its current fleet of 123 ships (530,000 TEUs). Originally an intra-Asia specialist, Wan Hai **reentered** the long-haul trades during the Covid-19 pandemic and hasn't stopped since.

Hapag-Lloyd and Maersk expect to phase in their Cape of Good Hope network after commencement of the Gemini Cooperation on 1 February 2025. The Gemini Cooperation's Cape of Good Hope network will **include** 29 mainliner services supported by 28 intraregional shuttle services, operated by a fleet of around 340 vessels with a capacity of 3.7m TEUs.



- When the Gemini Cooperation **launches** on 1 February 2025, the new alliance will opt for longer transits around Southern Africa as Maersk and Hapag-Lloyd discarded the Suez Canal as an option.



The idled container ship fleet now "equals just 0.8% of the world's 30m TEU liner fleet," with 71 ships carrying >245,000 TEUs sitting commercially idle. This reflects tight market control and limited capacity availability, underscoring the importance of securing shipping commitments early to avoid potential disruptions.

Capacity tightness should ease as more newly built ships are delivered to the marketplace. While the ocean market remains tight, carriers with the largest tonnage will have more leverage. Any easing in capacity—especially through a major change in the Red Sea situation—would transform the situation dramatically and put pressure back on carriers to maintain their market share through aggressive pricing strategies.

Among the Top 10 carriers, shipping lines still operate 683 vessels of 20 years or older, which is nearly 1/5 (18%) of the roughly 3,800 vessels they operate. These older vessels have a combined 2.6m TEU of capacity.

The autonomous delivery vehicle market is **projected** to **reach** \$11.5b by 2032 due to the rapid expansion of e-commerce and the demand for reliable, fast delivery services.

More than 20,000 shipping containers have **fallen** off ocean container ships in the past 15 years, dumping everything from plastic pellets to hazardous chemicals.

Market Trends

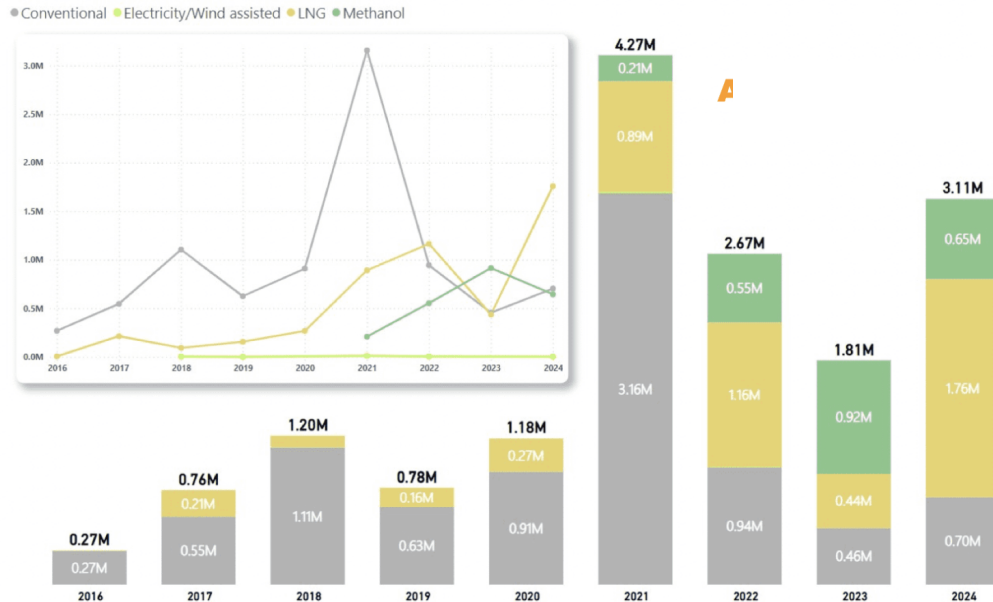


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LNG PROPULSION REGAINS FAVOR

The maritime industry's journey towards sustainability remains dynamic, but LNG has **reestablished** itself as carriers' primary short-to-medium term choice. There has been a record-breaking 1.76m TEUs of LNG-powered capacity **ordered** in 2024, **accounting** for 55% of this year's total capacity.

- The number of LNG-powered vessels rose from just 21 ships in 2010 to 590 today, with 564 more vessels on order.
- New orders for methanol-powered ships now represent only 21% of new capacity ordered in 2024 (51% in '23).



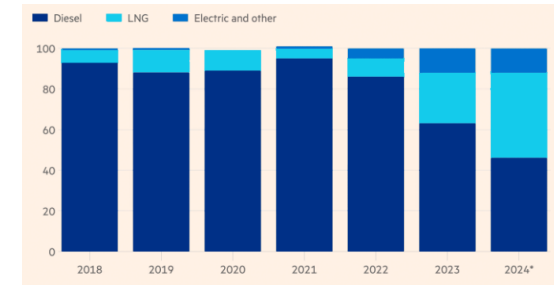
Source: Annual orders by propulsion type (TEU). Chart courtesy Alphaliner, accessed via GCaptain.

CHINA SEES INCREASED LNG TRUCKING SALES

Cheap natural gas is **spurring** Chinese truckers to switch to rigs powered by it, especially for heavy-duty vehicles weighing 14 tons or more.

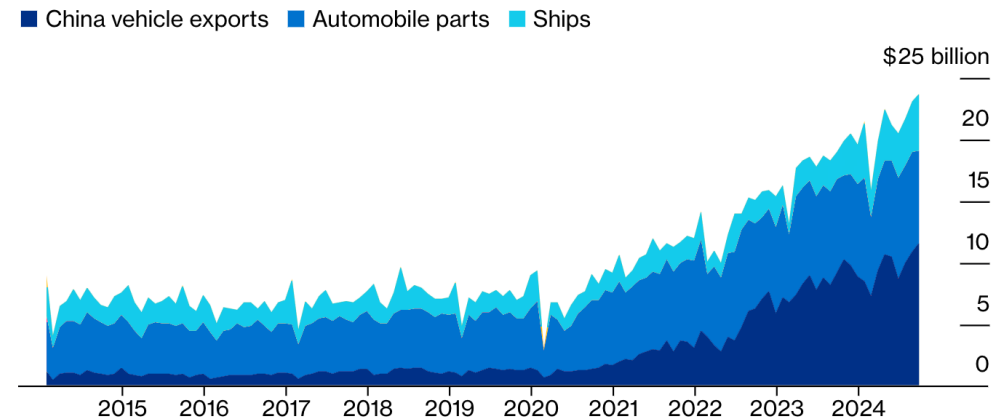
Source: CV world, accessed via Financial Times.

Note: January-August data, representing 14 ton and heavier cargo trucks.



CHINA'S CAR EXPORTS SOAR RAPIDLY

Vehicle exports were worth almost \$90b in 2024 versus just \$15b in 2019. China's exports of both cars and ships hit records in September '24 even as broader shipments **slowed**, underscoring the rapid changes.



Source: China's General Administration of Customs, accessed via Bloomberg.

Market Trends



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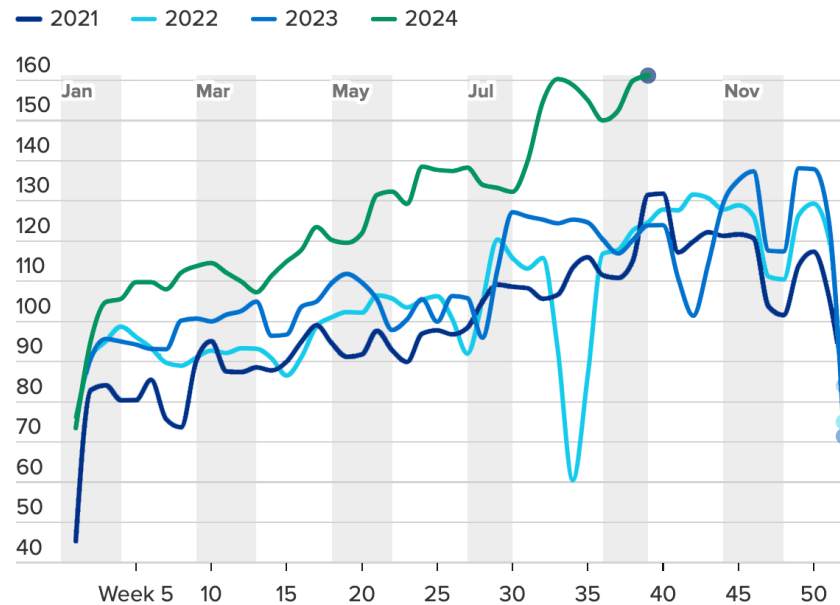


Following a period of expansion during and after the Covid-19 pandemic, the **contraction** in the U.S. warehousing sector has deepened, as exemplified by the amount of industrial real estate under construction during Q3 '24 falling 43% year-over-year (YoY) to 309m square feet, the steepest YoY drop since '08-'09.

Mexico has been the United States #1 trade partner in 18/19 of the past months:

- Mexico's government is working to **strengthen** its domestic supply chain while also curbing Chinese imports.
- USA/Mexico cross-border trucking capacity continues to climb but is being affected by Mexican driver shortages and cargo theft issues.

Cross-border trucking between Mexico and the United States is at historic highs with year-to-date (YTD) border crossings rising by approximately 52% as of September.



Source: Motive accessed via [CNBC](#).



Russia's Shadow Fleet

Since the first restrictions on Russian oil were **introduced** in December 2022, Moscow has continuously expanded its "shadow fleet" to circumvent sanctions, generating billions of dollars of revenue during the process.

- The U.S., E.U., U.K. and other G7 countries banned their companies from providing ships, insurance or financing for Russian exports, unless the oil was sold at a discount to market prices. The rules were designed to reduce Russia's revenues, while still allowing Russian exports to flow, so as not to push up global oil prices.

In reality, the Russians have **established** a complex network of helpful individuals, shell companies, and other resources to keep its restricted oil moving around the world, as demonstrated by recent figures. **This year's transit figures in the Northern Sea Route (NSR) show records for both cargo volumes and number of trips, with China's increased activity being the primary driver of growth.**

TankerTrackers.com is using a sophisticated blend of satellite imagery, ship signals, and ground photos to **expose** the intricate network.

Western economic sanctions imposed on Russia will likely remain in place for decades, even if there is a peaceful settlement in Ukraine. Dmitry Birichevsky, head of the economic cooperation department at the Foreign Ministry, noted that Moscow is already sharing strategies with other sanctioned countries (Iran, Venezuela, North Korea, etc.) to create an international "anti-sanction" coalition that can resist Western pressure.

LIQUIFIED NATURAL GAS MARKET

Similar tactics used to circumvent sanctions on Russia's crude oil trade are now being applied to the Liquefied Natural Gas (LNG) market. Kpler noted that developments in the LNG tanker market pointed "to a complex network of maritime operations potentially linked to Russian interests."

- Since Q2 '23, >50 LNG vessels have **changed** ownership to companies located in the United Arab Emirates (UAE).
- The Cook Islands recently **entered** the top 30 flag leaderboard, with Cook Island ships often trading sanctioned Russian/Iranian/Venezuelan oil.

The E.U. formally adopted its 14th sanctions package against Russia in June '24, targeting the country's LNG sector for the first time. There is now a ban on transshipment of Russian LNG at E.U. ports for delivery to non-E.U. markets.

Undelivered cargos continue to **stack up** aboard LNG carriers and floating storage units throughout the world.



Russia is pressing ahead with a new form of gas transport, **unveiling** designs for nuclear-powered submarines to ferry LNG from the Arctic to Asia. The Kurchatov Institute, Russia's leading research and development institution in the field of nuclear energy, is actively collaborating with energy giant Gazprom to build the underwater gas carriers.

POLAR ICEBREAKER SHIPBUILDING

Russia is **expanding** its shipbuilding cooperation with India as two Indian shipyards are now being considered for construction of 4 non-nuclear icebreakers. The vessels will join Rosatom's icebreaking fleet in the NSR with an estimated cost \$713m.

Russia allocated >\$1b over three years to construct the country's flagship nuclear icebreaker, Rossiya, which will be instrumental in conducting year-round Arctic shipping.

- With a beam of 48 meters, the vessel is designed to open ice channels that are wide enough for LNG carriers and oil tankers even in the most difficult sections of the East Siberian and Chukchi Seas.
- The 69,700 ton vessel will be powered by two RITM-400 reactors enabling it to break through 4-meter-thick ice.

Atomflot, operator of Russia's main icebreaker fleet, plans to dispatch 17 more icebreakers on the NSR by 2030.

- (13 nuclear; 4 new conventional)



CMA CGM **signed** a joint venture with Marsa Maroc to equip and **operate** a section of Morocco's Nador West Mediterranean terminal. The French container line **says** it wants to be a major player in the Moroccan supply chain, and it already owns a terminal in Casablanca and Tangiers.



Uganda is **planning** a new \$600m rail track to link its capital, Kampala, to the town of Malaba on Kenya's border. These developments would allow Port Lake Victoria to better connect with Tanzania's logistics network, providing better routes toward the Indian Ocean via Tanzania. Ultimately, the railway would enable cargo to move across the lake between the new harbor and Tanzania's port of Mwanza, which is linked to the Indian Ocean's hub of Dar es Salaam via rail.



Ethiopia's Ministry of Transport and Logistics **published** a report about the prospects for reforming the country's surface transport systems says that investment totaling \$USD 500m will be needed to build rail capacity. Among projects to build rail connections to inland freight terminals in Ethiopia, immediate priority is being given to Kombolcha, Mekelle, and Wereta.



DP World **committed** \$1.3b to **expand** operations at London Gateway, adding two new berths and a second rail terminal, which will **turn** the port into the U.K.'s largest within five years (measured by capacity).



The U.K. will **invest** £1.1b in London Stansted Airport over the next five years to expand the existing terminal by a third.



The U.S. Department of Transportation (USDOT) **announced** \$2.4b in **funding** for >120 rail projects **across** 41 states.



The Georgia Ports Authority Board **approved** expansion of more vehicle storage at Brunswick, which should allow authorities to better handle the increased trade crossing the docks at Colonel's Island Terminal.



Ports of Indiana, in partnership with Superior River Terminals Indiana, **launched** "Indiana River and Rail Terminals," the largest general cargo operation on the Ohio River. The new venture brings all of their key cargo facilities together under a single operation entity: 6 docks, 6 warehouses, and multiple rail transload facilities on 2,200 acres of land.



The U.S. Environmental Protection Agency (EPA) **announced** 55 selected applicants for nearly \$3b in **Clean Ports Program** grants. Funded through the Inflation Reduction Act (IRA), the selected applications **will fund** zero-emission port equipment and infrastructure at U.S. ports in 27 states and territories. A full list of the proposed projects can be found [here](#).



Los Angeles is **incorporating** low-impact development (LID) drainage into its new terminal designs to cope with rising sea levels. Authorities have also installed electrical connections at the docks so that ships' auxiliary engines can draw on shore power instead of burning dirty diesel fuel.



TRANSET'S RECOVERY PLAN & STRUCTURAL REFORMS

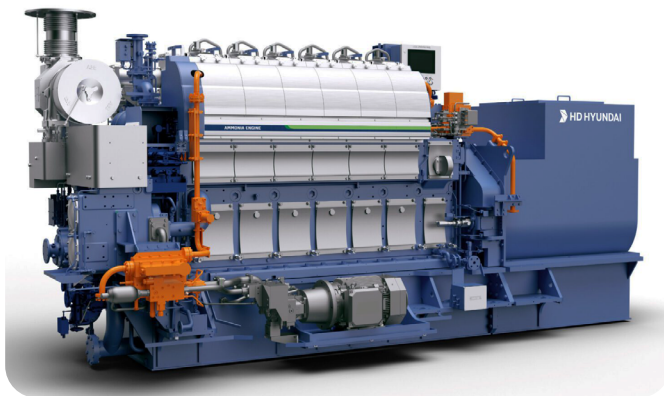
South African national rail operator Transnet has faced several challenging years but is now amidst a recovery as it **undergoes** key structural changes to **introduce** open-access operations. With its current resources, Transnet is unable to **meet** the anticipated freight demand of 226m tons, making private-sector investment essential for future growth.



- On 30 August '24, the New Development Bank (NDB) announced a Rand \$5b loan agreement with Transnet, specifically for the freight rail business.
- The African Development Bank (AfDB) **provided** Transnet with a USD \$1b corporate loan, intended to facilitate the first phase of the company's Rand \$152.8b, five-year, capital investment plan.
- Transnet is creating a clearer separation between the company's infrastructure management and freight operations.
- On 23 August '24 Transnet officially moved from the Department of Public Enterprises (DPE), which is being dissolved, to the Department of Transport (DoT).

The recently failed part-privatization of South African Airways (SAA) also lingers in the background of South Africa's other private/public sector transactions.

South Korean shipbuilder HD Hyundai Heavy Industries **achieved** a significant milestone in eco-friendly shipbuilding with the development of the world's first zero-carbon ammonia dual-fuel engine. The engine utilizes high-pressure ammonia direct injection, a notable advancement in marine propulsion technology.



Japan's classification society ClassNK **gave** its stamp of approval for a new 30,000cbm membrane-type liquefied natural gas (LNG) carrier design from French technological containment specialist Gaztransport & Technigaz (GTT).

Toyota Motor Corp. and Nippon Telegraph & Telephone Corp. will **invest** billions to develop autonomous driving software using artificial intelligence, which could lead to significant advancements in autonomous vehicle safety, efficiency, and adoption. The two companies **plan** to jointly invest \$500b yen (USD \$3.3b) between now and 2030, underscoring Japan's commitment to this sector.

Japanese maritime stakeholders NYK, Idemitsu Tanker, IINO Lines, and Nihon Shipyard **presented** a design concept for Japan's first Malacca Max type Very Large Crude Carrier (VLCC) that can run on methanol as an alternative fuel.

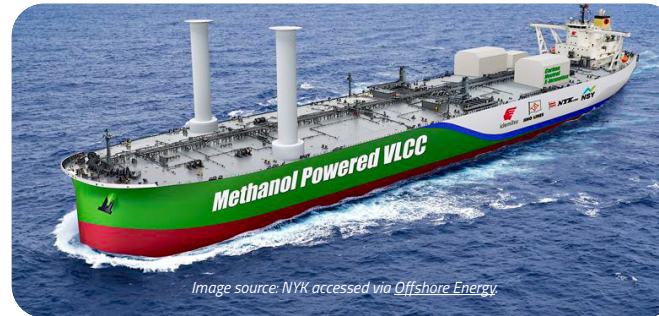
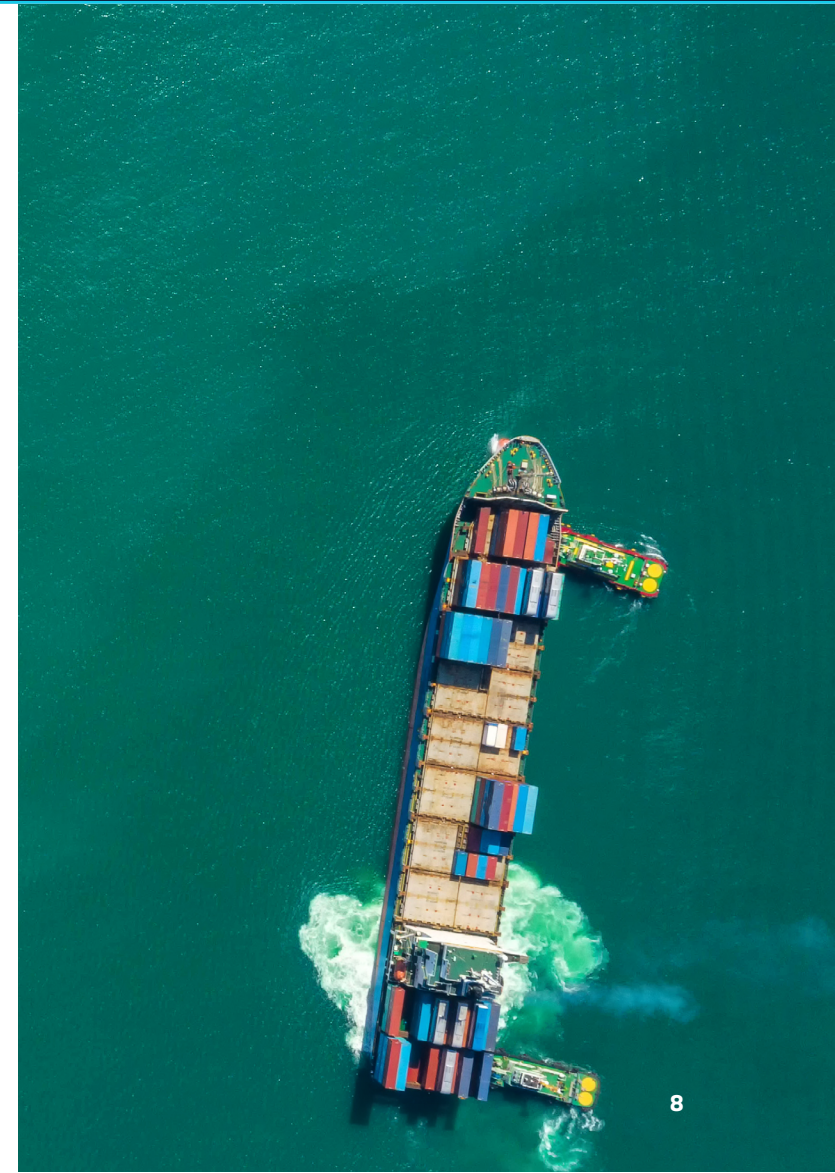


Image source: NYK accessed via Offshore Energy.

The Baltic and International Maritime Council (BIMCO) **approved** the AUTOSHIPMAN agreement in response to an increasing number of remotely operated ships. AUTOSHIPMAN is BIMCO's first step into the commercial operation of remotely controlled ships, and perhaps eventually fully autonomous ships. The AUTOSHIPMAN agreement **creates** a standard contractual structure for third-party ship managers who provide services on remotely controlled or fully autonomous vessels.



Source: International Maritime Organization (IMO) via Flickr. Note: Illustration only.



AMMONIA BUNKERING BECOMING MORE FEASIBLE

One of the world's largest bulk export ports in Western Australia safely **completed** the world's first transfer of ammonia from one vessel to another, a critical test that demonstrates ammonia's feasibility as an alternative fuel source. Singapore, the world's largest refueling hub, is actively **developing** ammonia bunkering standards and has shortlisted several companies to **study** ammonia's viability for power generation and bunkering. The first cargo ships **powered** by ammonia are set to enter service in 2026, but widespread adoption still faces key challenges:



- The maritime industry still needs to establish clear safety guidelines for anyone who manages ammonia-based fuel. Refueling ships ("bunkering") is challenging with ammonia as it can cause acute poisoning or damage to the skin, eyes, and respiratory tract.
- Ammonia costs must drop sharply to make it competitive as it currently costs 2x-4x more than conventional fuels.

Reporting on the E.U.'s Carbon Border Adjustment Mechanism (CBAM) will **change** starting 31 October 2024 as businesses will need to provide actual embedded emissions data for imports into Europe, rather than supplying default values.

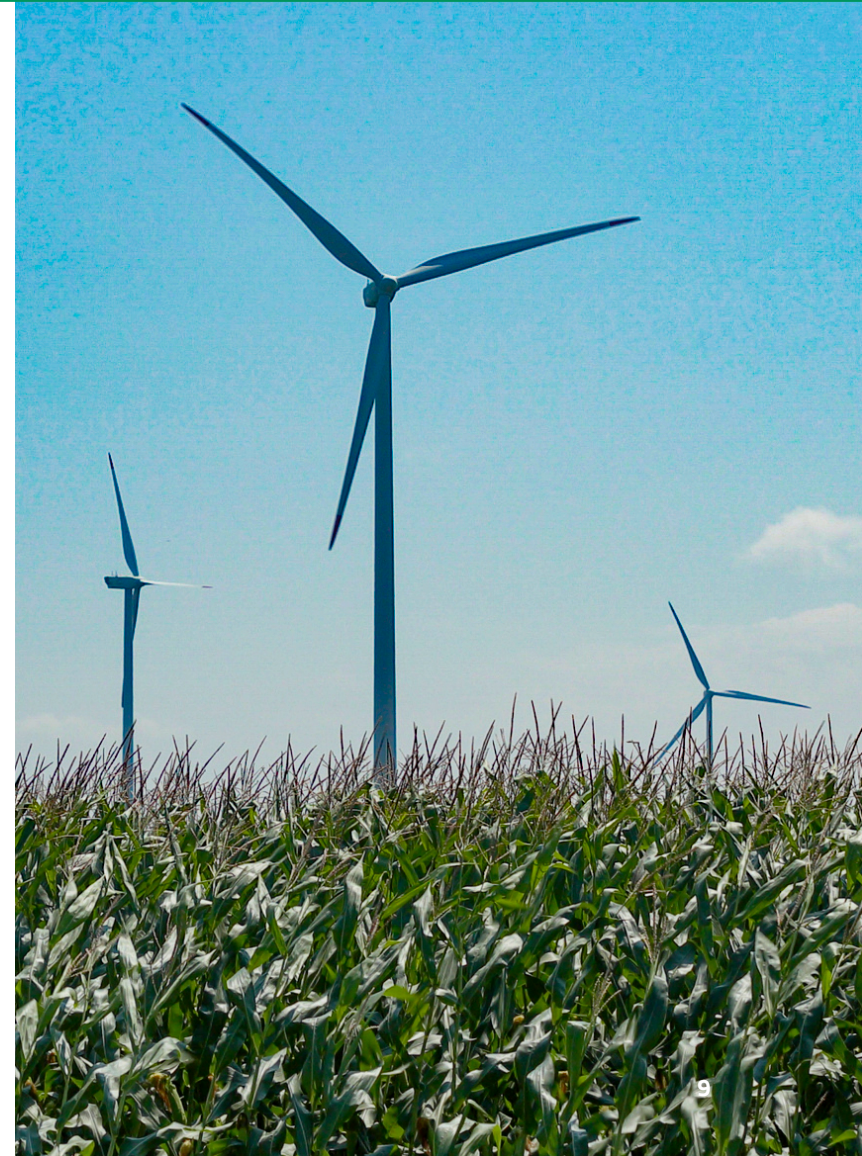
CMA CGM and HD Hyundai Marine Solution are partnering to **develop** a standardized life cycle assessment (LCA) model for measuring carbon emissions in shipbuilding and transportation.

The New Jersey Department of Environmental Protection and Calstart, a global clean transportation nonprofit, recently **created** the **New Jersey Fleet Advisor Program**, a free technical assistance program that helps medium- and heavy-duty fleets plan for electrification.

Maersk **signed** a new long-term bio-methanol offtake agreement with China's LONGi Green Energy Technology Co. as the carrier works to **secure** enough green fuel for its fast-growing fleet. The carrier has already received seven dual-fuel, methanol-capable 16,592-TEU ships from an 18-vessel order. All combined, Maersk's methanol offtake agreements now **meet** >50% of the dual-fuel methanol fleet demand in 2027.

EVgo, a public fast-charging network for electric vehicles, received a conditional commitment for a loan guarantee of up to \$1.05b of debt financing from the U.S. Department of Energy Loan Programs Office under its Title 17 program. Access to this low-cost financing will **facilitate** the build-out of approximately 7,500 additional fast-charging stalls across the U.S.

Data shows that fleet renewal is still a major driver as most carriers' overall goal is to **decrease** CO₂ emissions per container over a given distance.



Laws/Legislation



According to a recent [announcement](#), the U.S. Food and Drug Administration (FDA) has [delayed](#) cargo track and trace rules so the pharmaceutical industry now has until mid-2025 to comply.

Federal regulators extended the deadline for exemptions from the [Drug Supply Chain Security Act](#) (DSCSA), giving stakeholders additional time to meet the stated requirements. If exemptions are used, trading partners do not need to notify the FDA, but the new deadlines impact eligible trading partners differently:

- **27 May 2025:** Manufacturers and repackagers
- **27 August 2025:** Wholesale distributors
- **27 November 2025:** Dispensers with 26 or more full-time employees

The DSCSA's goal is to improve supply chain security for the pharmaceutical industry while also scaling industry capacity.



Funding from the U.S. Department of Transportation's (USDOT) INFRA and Mega grant programs will help [build](#) complex, ambitious infrastructure projects [across](#) the country:

- 35 large bridge projects
- 18 large port projects
- 20 rail projects
- 85 highway improvement projects

This funding aims to modernize and expand critical infrastructure, improving transportation efficiency and resilience across the country.



India's government is [creating](#) a port consortium, with hopes of venturing into the terminal operator business and strategically controlling foreign terminals. The consortium currently includes three state-owned agencies: India Ports Global Ltd (IPGL), Sargamala Development Co. Ltd (SDCL) and Indian Port Rail and Ropeway Corp (IPRCL). The group will target development opportunities that serve India's national interests, and overall, the initiative could greatly increase the country's influence in global trade.





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Disruption

Air Canada and Air Line Pilots Association, International (ALPA), the union **representing** thousands of its pilots, **reached** a new labor deal, **averting** a major nationwide shutdown and providing short term stability to Air Canada's operations.

Long term Australia's rail networks are **threatened** by poor resilience as aging infrastructure and more frequent severe weather events leave the country's network highly vulnerable. Without significant investment, Australia's freight transportation sectors, in particular its rail network, will quickly fall behind other developed nations.

The International Longshoremen's Association (ILA) and the United States Maritime Alliance (USMX) are set to **resume** contract discussions in November, according to a **joint statement** from October 25th. These talks are crucial to avoiding widespread labor disruptions at U.S. ports, which could negatively impact

Mergers & Acquisitions

Portuguese Prime Minister Luis Montenegro **said** many companies are interested in buying shares of TAP SA, the state-owned airline his government plans to privatize, but his administration is still determining the "best model" for privatization. The airline's biggest attraction is its connection to Brazil, of which it's Europe's largest provider. Air France-KLM, Deutsche Lufthansa AG and IAG SA, the parent company of British Airways and Iberia, have publicly stated their interest.



Tariffs/Surcharges

The European Union **imposed** higher tariffs on electric vehicles from China, **increasing** levies to as high as 45%, which may increase prices and impact market competitiveness for Chinese EVs within Europe. As these tariffs take effect, stakeholders in the automotive and mobility industry should continue to monitor the impacts on EV supply chains and pricing strategies.

Saia **implemented** a 7.9% general rate increase (GRI) on 21 October 2024, **citing** the need to offset expenses from >\$1b in investments during 2024, which included an expansion of its terminal network.

In prepared remarks to the U.S. Council on Foreign Relations, Janet Yellen, the former U.S. Federal Reserve Chief, **argued** that:

"Sweeping, untargeted tariffs would raise prices for American families and make our businesses less competitive. Calls for walling America off with high tariffs on friends and competitors alike or by treating even our closest allies as transactional partners are deeply misguided."

Yellen's comments highlight the need for strategic, targeted trade measures that balance domestic interests with international relations.



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