



# Market Report 10/2023

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*Cover image: Copenhagen, Denmark, 15 September, 2023, Laura Mærsk, the world's first methanol enabled container vessel in Copenhagen harbour.  
Source: BiggerNess, Photo ID #1686003940*

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### Note

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

# Market Trends



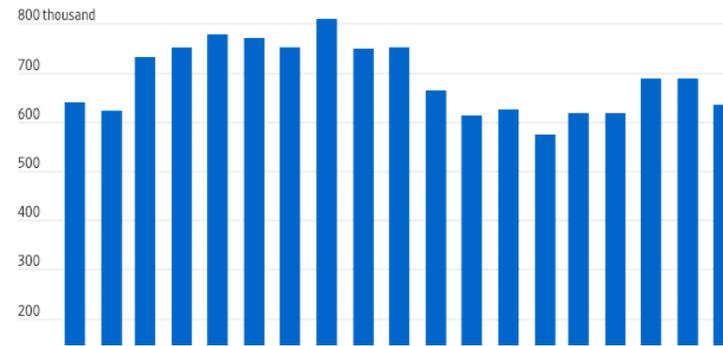
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## 1/3 OF ORDERBOOK COMPRISES LNG-POWERED SHIPS

Global capacity of container ships capable of **running** on methanol, liquefied natural gas (LNG), and traditional marine fuel.



Source: Sea-Web, S&P Global



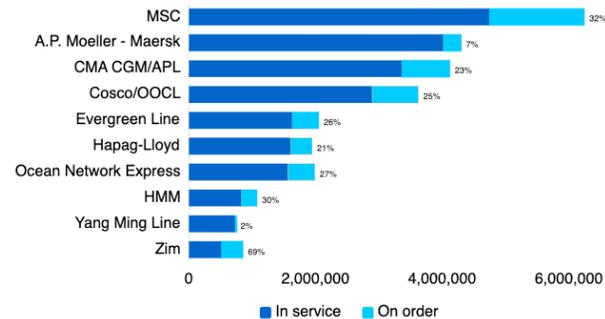
Source: Intermodal Association of North America. Note: ocean shipping containers are moved by rail.

## OFF THE RAILS

Intermodal truck/rail loads on U.S. railroads remain far behind last year's levels.

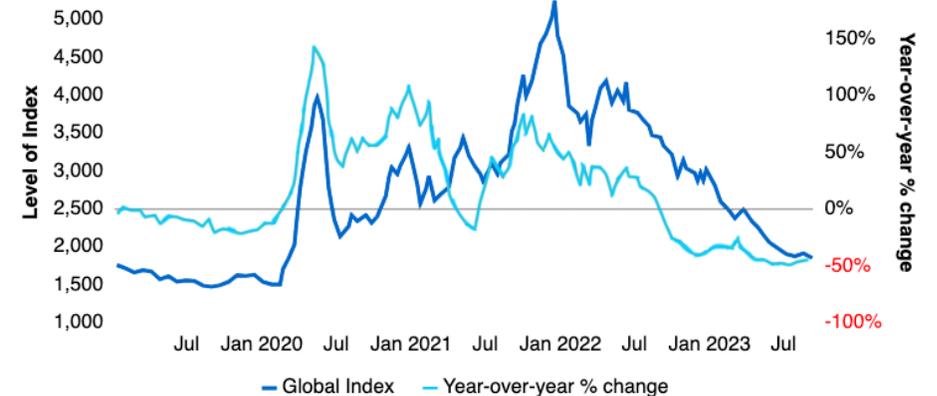
## TOP 10 GLOBAL CONTAINER FLEET OPERATORS

Measured as a percentage of TEUs on-order vs. in-service.



## GLOBAL AIR CARGO INDEX

The widening imbalance between available air cargo capacity and demand has dragged global rates to their lowest level since the start of the pandemic.



Source: Baltic Air Freight Indices [powered](#) by TAC

# Market Trends



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Saudi Arabia's maritime sector has **doubled** over the past decade and the country's leadership wants to quadruple annual container throughput to a staggering 40M TEU by 2030. The Saudis already have 53,000 ships registered in 150+ countries and plan to **construct** 59 new logistics centers throughout the Kingdom by 2030, further expanding inland logistics hubs and rail connectivity.

The Organization of the Petroleum Exporting Countries (OPEC) continues to **make** supply cuts and analysts are forecasting a global deficit of 2M barrels a day during Q4 '23. This will ensure that bunker prices remain high during a time when carriers need to minimize costs to mitigate collapsing revenues.

The collapse of Transnet, South Africa's rail and port utility, has **placed** 68% of the country's GDP at risk as companies are increasingly unable to import and export goods. For context, South Africa's economic growth is highly correlated with global economic growth because the country has an open economy, meaning it depends upon imports for many of its basic needs.

Mexico has ranked first in monthly international **commerce** with the U.S. for seven out of the last eight months, according to U.S. Census Bureau **data**. Year to date (YTD), Mexico's trade with the U.S. is \$462B, ahead of Canada at \$450.3B and China at \$322.3B.

Within the U.S., New York and New Jersey **took** the top spot for containers moved in July (725,479 TEUs), the port's highest monthly total since October 2022. NYC/NJ moved 9.4% more cargo in July as compared to July '19.

Yellow Corporation's bankruptcy process is expected to **offload** the company's equipment portfolio—14,000+ tractors and 43,000+ trailers—to other trucking industry owners in an orderly manner, with minimal disruption to the used equipment market.

The Panama Canal's draft restrictions are **eliciting** exorbitant barge rates; for example, spot rates for barge shipments out of St. Louis were \$23.34 a ton, up 42% YoY and up 85% from the three-year average.

Russia will **allow** unreinforced oil tankers to sail through the Northern Sea Route for the first time, risking a catastrophic spill while also circumventing western sanctions. Two tankers were granted permission to make the 3,500-mile-long journey despite not being 'ice class' tankers strengthened to withstand harsh conditions.

Attracting and retaining qualified workers **remains** a leading challenge for many supply chain executives. MHI, an industry association, conducted a **survey** with 2,000+ executives and found that a majority, 57%, state that hiring and retaining qualified workers is this year's greatest challenge.

Transpacific capacity will increase by as much as 25% on the U.S. West Coast and 35% on the East Coast in the coming months. Expect low freight rates but also potential **degradation** in both service and schedule reliability.

## SERVICES

- ⊕ Zim Integrated Shipping **struck** an “operational cooperation agreement” with Mediterranean Shipping Co. (MSC) to **cooperate** on seven container services connecting India, Asia, Europe, the Mediterranean and Australia. The agreement blends vessel-sharing, slot charters and swap arrangements. Essentially, Zim is making a strategic move amidst the current market downturn to better utilize its growing fleet.
- ⊕ Ocean Network Express (ONE) will be the sixth shipping line to **operate** in Mozambique’s Port of Beira. For now, ONE’s service will operate biweekly, connecting the Port of Beira to Maputo, Mombasa, India, and the Middle East.
- ⊕ Canadian National and Norfolk Southern are **launching** a new intermodal service to connect several Canadian markets with the central and southeastern U.S. The joint venture **connects** Toronto, Montreal, Calgary, Edmonton, Vancouver and Winnipeg with Norfolk Southern’s hubs in Kansas City and Atlanta.

## MERGERS & ACQUISITIONS

**SUPPLY CHAIN BY AMAZON:** Amazon **introduced** a new end-to-end, automated suite of supply chain services specifically for Amazon sellers. The **offering** allows sellers to leverage Amazon’s advanced logistics, fulfillment, and transportation services to keep products in stock, shipping them faster and more reliably, and with supposedly lower costs.

Rhenus Group **expanded** its presence in Latin America by purchasing BLU Logistics and acquiring a majority stake in LBH Group. The acquisition of Colombia-based BLU will expand Rhenus Group’s presence in Argentina, Colombia, Ecuador, Mexico, Paraguay and Uruguay as well as in Mainland China and Hong Kong. Additionally, shipping agent LBH, which Rhenus bought a 51% stake in, operates in 30+ countries worldwide, including six in Latin America.

- ⊕ Xiamen Airlines Co., the subsidiary of China Southern Airlines Co., will **partner** with Qatar Airways to start flying between Doha, Beijing and Xiamen in 2023. Currently, Qatar Airways is the only carrier **flying** directly between China and Doha, with 31 round trips per week. In total, nine new weekly flights will offer 100 tons of cargo capacity.

The Portuguese government will **approve** the privatization of state-owned airline **TAP SA**. The Lisbon-based airline has strong links to Brazil, but it also maintains a presence in Africa and operates flights to North America.

MSC entered a \$1.4B binding memorandum of understanding (MoU) with the city of Hamburg to acquire a 49.9% holding stake in port operator Hamburger Hafen und Logistik (HHLA). MSC intends to **make** Hamburg the “central hub” of its global network and is committed to raising its annual throughput at the port to 1M TEU.

Estes Forwarding Worldwide (EFW), a subsidiary of U.S. trucking provider Estes, will **acquire** Superior Brokerage Services (SBS), an international freight forwarder and brokerage business. The deal comes as Estes **countered** a rival bid, raising its own bid to \$1.525B for the terminals of defunct less-than-truckload (LTL) carrier Yellow.

J.B. Hunt Transport Services will **purchase** the freight brokerage operations of BNSF Logistics. J.B. Hunt will add BNSF Logistics’ for-hire trucking brokerage to its Integrated Capacity Solutions division and **incorporate** the J.B. Hunt 360 platform. The deal “realigns” both businesses within their joint intermodal partnership.

## Infrastructure

- Maersk recently **opened** a 14,000 square-meter fulfilment center in Colombia and another 3,500 square-meter fulfilment center in Panama.
- Eight Rubber-Tired Gantry (RTG) cranes will be **delivered** to a new container terminal at Puerto Antioquia, Colombia, providing new economic power for Antioquia's regional economy.
- APM Terminals (APMT) Lazaro Cardenas **began** Phase II of its \$140M expansion. The project will **add** 1 million TEU, reaching an annual throughput capacity of 2.2M TEU after completion, which is scheduled for Q1 '26.
- FedEx Express Europe **signed** an agreement to build a global air transit facility at Istanbul Airport. The new facility is **expected** to be complete in November '24 and will cover more than 25,300 square meters.
- APM Terminals will **invest** \$407M in the Croatian Rijeka Gateway terminal, which is due to open in 2025. Rijeka Gateway will be the first port on the Adriatic with remote-controlled, electrical container cranes, and with a quay depth of 20 meters.
- The Vietnamese government will **invest** \$1.7B to build more inland container depots (ICD) in anticipation of cargo growth. The plan estimates that ICDs will handle 17.1M TEU annually by 2030, up from the current 11.9M TEU and accounting for about 25-35% of export and import container shipping demand.
- Iraq recently **unveiled** the \$17B Route of Development project which will construct a 1200-kilometer road and railway stretching from its northern border with Turkey to the Gulf in the south. Additionally, construction began on a new 32-kilometer cross-border line from Basra, Iraq to Shalamchek, Iran. The rail link is forecast to provide a major stimulus for both freight and passenger traffic between the two countries.
- Hong Kong International Airport's third runway system will **increase** its aircraft movements per hour from 68 to 102 once it's fully operational. Additionally, the HKIA Logistics Park pilot scheme in Dongguan will allow shipments to be security screened, built up, and accepted as cargo before being transported directly to a quay at the airport.

## INDIA-MIDDLE EAST-EUROPE ECONOMIC CORRIDOR (IMEC)

The **proposed** IMEC is a multinational rail and ports corridor that will **counter** China's Belt and Road Initiative (BRI). The ambitious intercontinental transport program aims to **provide** sea-rail connectivity and **boost** cross-border trade between India, the Middle East and Europe.

- For example, the project hopes to connect Saudi Arabia, the United Arab Emirates (UAE) and potentially Israel by rail, then use sea transport to reach India and Europe, spanning more than 3,000 miles.



- India has already approved projects worth Rs \$325B (\$USD 3.19B) to lay additional tracks on the Indian Railways' (IR) network. The Ministry of Railways wants to reduce congestion and ease train operation on seven of the busiest sections of IR's network. The work is **expected** to result in 200M more tons of freight traffic a year for IR.

## Transport Technology

### DRONES BEGIN TO PROLIFERATE

The U.S. Federal Aviation Administration (FAA) **gave** United Parcel Service (UPS) approval to operate its Matternet M2 drones beyond the visual line of sight. This means that delivery drones are now **allowed** to fly longer distances **beyond** ground operators' view.

- In related news, the Port of Rotterdam **gained** authorization to test long-distance drones for inspections and supervision operations.

### AMMONIA'S ECONOMIC FEASIBILITY

Multiple ongoing projects report strong progress in using ammonia as a marine fuel. Ammonia-powered vessels *could* become **economical** soon since the cost gap between ships operating on zero-emission ammonia and conventional fuel is closing. The most effective way to reduce the cost gap is to pull numerous cost-reduction levers simultaneously: dual-fuel vessel design, competitive debt financing arrangements, operational efficiencies, fuel subsidies, governmental regulations, etc.

The U.K. government **announced** the latest round of funding for its Zero Emission Vessel and Infrastructure (ZEVI) fund. Five zero-emissions shipping projects with a proposed cost of £81M (USD \$101M) will receive £55M (USD \$69M) in government funding to support the development and demonstration of new technologies.

- The largest individual award will build the first electric SOV (eSOV) in the UK. The 295-foot electric vessel will operate completely emission-free and will feature a sizable battery and dual-fuel methanol-powered engines as backups.

Daimler Truck, Paccar, and Accelera, (Cummins' zero-emissions business unit) **formed** a joint venture to produce battery cells for commercial electric vehicles in the U.S. The three companies will invest \$2-3 billion for a 21 gigawatt-hour factory.

CSSC Hudong-Zhonghua Shipbuilding **received** a second approval in principle for its design of the world's largest LNG carrier with a carrying capacity of 271,000 cubic meters. Notably, the vessel will use GTT's NO96 membrane containment system in five cargo tanks.

Orient Overseas Container Line Ltd. (OOCL) **added** another mega vessel to its fleet, *OOCL Zeebrugge*, the fifth environmentally friendly 24,188 TEU vessel in a series of 12.

Singapore welcomed the world's first bulk liquefied hydrogen carrier, *Suiso Frontier*. Japan's Kawasaki Heavy Industries (KHI) manufactured the ship and Shell Japan will operate it.

Russia plans to **build** another 50 ice-capable vessels and icebreakers for the Northern Sea Route (NSR) by 2035. The country already has the world's largest icebreaker fleet.



## Sustainability

### EMISSIONS TRADING SYSTEM (ETS) EXAMPLE

ETS regulations will cover ships of 5,000 gross tonnage and above and **apply** to vessels going into and out of EU and European Economic Area ports. Below is an example of how the ETS will function:

- A vessel carrying 5,000 standard-sized containers between the EU and Asia over a year generates about 40,000 tons of CO<sub>2</sub>, but because the journey stretches outside Europe, only half the emissions must be covered.
  - Traders would incur the cost of 20,000 tons of CO<sub>2</sub>, plus an extra 2,500 tons while the ship is in European ports.
  - In the first year, 40% of the qualifying emissions are chargeable, so that ship would face costs for 9,000 tons of CO<sub>2</sub>.
    - Assuming a carbon price of €90 a ton, that's €810,000.
    - This figure would rise to €1.4 million in 2025 when 70% of emissions must be covered and €2 million in 2026 when all emissions are chargeable (assuming the same €90 carbon price).

The Zero Emission Maritime Buyers Alliance (ZEMBA)—whose members include some of the world's largest retailers such as Amazon, IKEA, and Nike—**launched** a tender described as “the first major buyer-led initiative to **accelerate** the transition to zero-emission maritime fuels.” The request for proposal (RFP) covers the equivalent of 600,000 TEUs over a three-year period and starts in 2025.

The Global Hydrogen Production Technologies Center (HyPT) is an international academic partnership to **make** low-cost, large-scale, net zero hydrogen production a reality. The HyPT is a £14.1M (USD \$17.45M) five-year project which seeks to accelerate net zero hydrogen technologies and make them available at a low cost, approximately one dollar per kilogram of hydrogen.

Classification society ABS is **launching** the ABS Electrification Center, a global hub based in Singapore to drive electrification and maritime decarbonization.

A coalition of 20 African nations is using the Nairobi Declaration to **advocate** for a global carbon levy on shipping.

The University of Tennessee's **Fleet Sustainability Index** now contains emissions profiles for more than 400,000 motor carriers, including private fleets.

Maersk and CMA CGM are deepening their **collaboration** around decarbonization. In particular, the companies will work to **develop** alternative green fuels for containership propulsion.

Amazon and Maersk **agreed** to transport 20,000 40' containers using green biofuel through Maersk's “ECO Delivery” ocean product offering. This is the fourth consecutive year that Amazon and Maersk have arranged container shipping using low GHG fuel options. Maersk estimates that this will reduce 44,600MT of CO<sub>2</sub> equivalent.

Maersk and Equinor **signed** a partnership to **secure** the supply of green methanol for Maersk's landmark, new methanol-enabled feeder vessel during its initial months of operation. Equinor **hopes** to be a key provider of green methanol in the marine fuel segment and has established methanol production at its Tjeldbergodden plant in Norway. Overall, Maersk wants to have ¼ of its ocean operations using green fuels by 2030.

A.P. Moller Holding (APMH), majority-owner of Maersk, **formed** a new company, C2X, to pursue large-scale green methanol projects near the Suez Canal and Spain's Port of Huelva, as well as in several other locations.



## Laws/Legislation

### LACEY ACT DECLARATIONS & PHASE VII

The U.S. Animal & Plant Health Inspection Services (APHIS) is planning for Phase VII of the declaration requirement stage. In this phase, Lacey Act declarations will be required for all remaining plant product Harmonized Tariff Schedule (HTS) codes that are not 100% composite materials. **A wide array of products that never needed Lacey Act declarations will now require them.** If you import items containing plant products and you do not currently file a **Lacey Act declaration**, you will likely need to file one after Phase VII is implemented.

- APHIS will publish a list of affected HTS codes in the Federal Register and will require declarations for those product codes 6 months later. The current list of HTS codes requiring the Lacey Act Declaration can be found on the APHIS [website](#).

### RECIPROCAL SWITCHING

The U.S. Surface Transportation Board (STB) unanimously released a Notice of Proposed Rulemaking (NPRM) focused on railroad **reciprocal switching**. Entitled “Reciprocal Switching for Inadequate Service,” the rule would **entitle** shippers to request relief from a nearby railroad if their existing carrier is not meeting minimum service standards.

- Reciprocal switching is a **situation** when a railroad with physical access to a specific shipper’s facility switches rail traffic to a facility for another railroad that does not have physical access. The second railroad then compensates the first railroad for the physical access in the form of a ‘per car switching charge,’ while the shipper’s facility also gains access to an additional railroad.

Several major U.K. maritime insurers have **signed up** for the **Safetytech Accelerator Cargo Fire & Loss Innovation Initiative (CFLII)**, a multi-year collaborative technology acceleration program focused on reducing cargo fires and subsequent losses.

The U.S. Securities and Exchange Commission (SEC) **proposed** rules that would require publicly traded companies to collect, report and measure carbon emissions in their supply chains, as well as their progress toward reducing them.

The U.S. and E.U. are **working** on an agreement that would introduce new tariffs on China’s excess steel production while also **ending** a Trump-era trade conflict.

- The U.S. has imposed a 25% tariff on steel imports since 2018 and the E.U. applies roughly the same level of duty under its own safeguard measures.

The U.S. Navy recently **established** the Maritime Cyber Warfare Officer (MCWO), as directed by the 2023 National Defense Authorization Act (NDAA). Supposedly, the MCWO designator will set the stage for a more robust and integrated approach to maritime cybersecurity.

The **deadline** for the Environmental Protection Agency’s (EPA) **Drug Supply Chain Security Act** is delayed exactly one year until 27 November, 2024, giving drug manufacturers and distributors more time to prepare for compliance.

146,000+ union members from United Auto Workers (UAW) are placing Ford, GM, and Stellantis in a precarious position as they look ahead toward a new labor contract.

- For context, an embezzlement scandal involving more than a dozen UAW officials brought a federally assigned independent monitor and reforms to UAW leadership elections, leading to a new president, Shawn Fain. Fain is using much more aggressive rhetoric and even **declined** to do the ceremonial handshake with automakers as negotiations began.



Flight attendants in the AFA-CWA union, which **represents** 25,000+ people at United Airlines and 6,500+ at Alaska Airlines, are threatening a work stoppage while calling for substantial wage increases and improvements in working conditions.

The Panama Canal Authority (ACP) **suspended** bookings for super vessels through 30 September 2023 to try and reduce its backlog. The largest backlog is in the super category, vessels carrying 4,000-5,000 20' TEUs, because they do not qualify for the authority's reservation system. Suspending these bookings allows the super vessels without reservations and the longest wait times to travel through the canal on a first-come, first-served basis.

Brazil's Terminal Portuario (BTP) in the Port of Santos has been **refusing** ships after operating at >95% capacity.

Russia has **loosened** its grip on the Black Sea blockade.

- Two bulk carriers recently made it to the Ukrainian port of Chornomorsk, while a ship that had been stuck in Odesa since February 2022 was finally able to leave.
- *The Puma*, a Cayman Islands-flagged bulk carrier, recently became the fifth stranded ship to escape Ukrainian waters.

## Tariffs/Surcharges

- ⊖ The U.S. Postal Service **will not** institute any peak season surcharges **during** the upcoming holidays, **ending** a practice that began in 2020.
- ⊖ Amazon's ground transport service **will not** implement peak season **fees** this year.
- ⊕ UPS **announced** its 2024 rate increases, which are set to go into **effect** on 26 December 2023. The 5.9% increase **matches** those previously announced by FedEx.
  - Typically, cost pressures increase for shippers during peak season as companies (UPS, FedEx, etc.) institute higher surcharges to cover increases in operating costs.
- ⊕ U.S. trade representatives **extended** China "Section 301" tariff exclusions on 352 Chinese imports and 77 COVID-19-related categories until 31 December 2023. They were originally set to expire on 30 September 2023.