



Market Report 3/2023

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Disruption

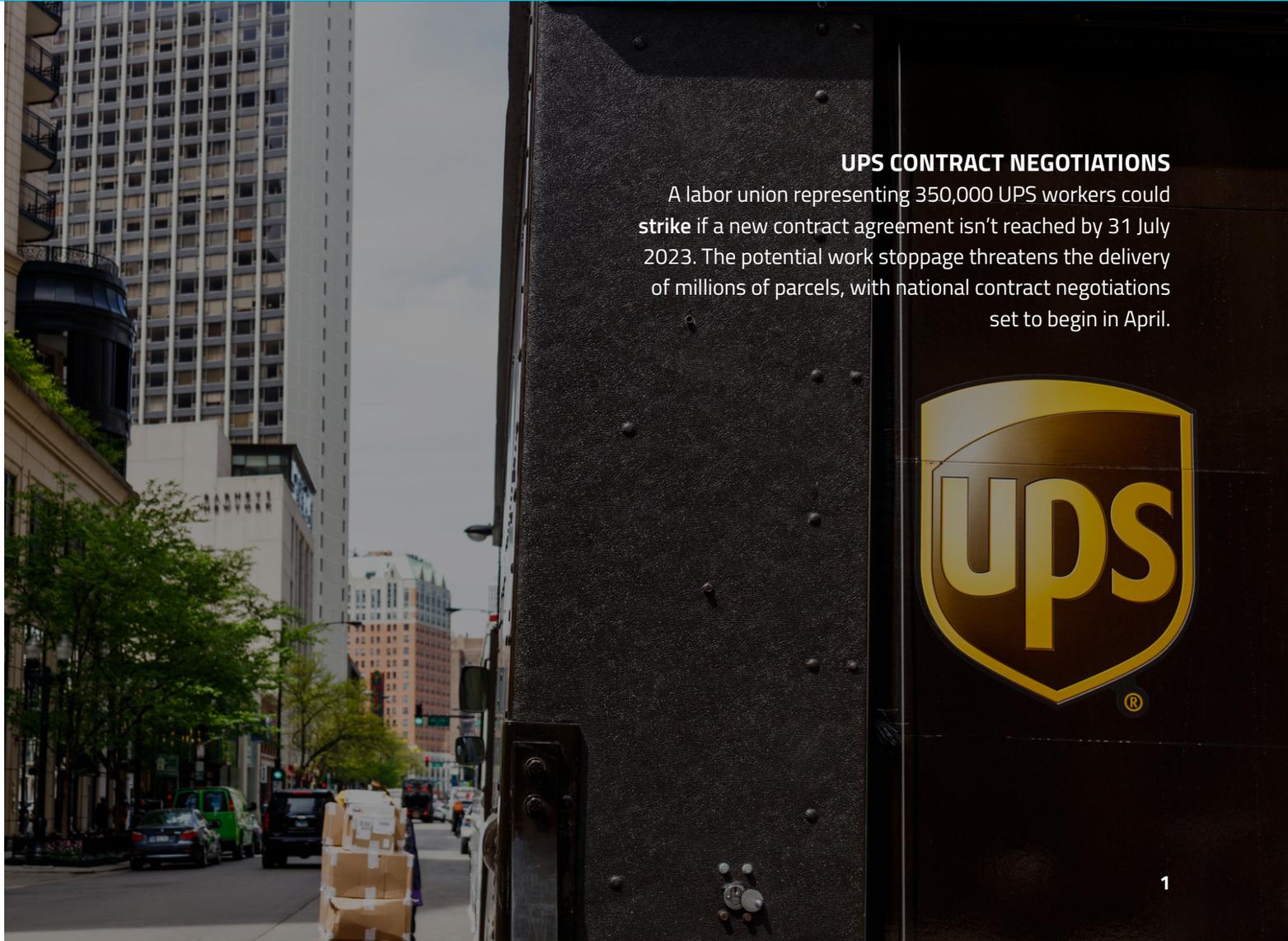
General Disruption

WEST COAST LABOR NEGOTIATIONS

The International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA) recently [resumed](#) negotiations, with terminal automation, health and safety, and wages leading the latest discussions. The two sides are in a nine-month [impasse](#), and dockworkers have already engaged in various job actions at ports in Southern California, Northern California, and the Pacific Northwest.

Contract uncertainty has only [exacerbated](#) a volume slowdown at the Port of Los Angeles, with the port [processing](#) 726,014 TEUs in January, a 16% year-over-year decrease.

Port of Los Angeles Executive Director Gene Seroka [said](#) that the ILWU and PMA have made it clear they remain committed to reaching a deal and will not go on strike. He also explained that all entities are keenly aware of the West Coast's cargo erosion and loss of market share to East Coast and Gulf Coast ports, with both parties wanting to earn back the lost volumes and move forward with organic growth.



UPS CONTRACT NEGOTIATIONS

A labor union representing 350,000 UPS workers could **strike** if a new contract agreement isn't reached by 31 July 2023. The potential work stoppage threatens the delivery of millions of parcels, with national contract negotiations set to begin in April.

Disruption

Acute Disruption

SEAFARER ABANDONMENT 🇦🇪🇪🇸🇹🇷

The leading countries for seafarer abandonment were the United Arab Emirates, Spain and Turkey, with over 1,600 seafarers from 103 vessels [abandoning](#) during 2022, according to a recent [report](#). Notably, the industry has witnessed five consecutive years of increased case numbers.

VIETNAM RIVER COLLISION 🇻🇳🇨🇳

Two containerships [navigating](#) Vietnam's busy Long Tau River [collided](#) on 11 February. Taiwan's Wan Hai Lines operates the ships, with both vessels suffering severe damage and cargo loss, although there were no injuries reported or oil spill.

ISKENDERUN FIRE 🇹🇷

Following two calamitous [earthquakes](#), a fire broke out at the Turkish port city of İskenderun and [burned](#) for consecutive days. More than a thousand containers were set [ablaze](#), and the damaged goods are now being inspected, separated, and rehabilitated. The fire is [projected](#) to cause a significant loss in trade, estimated to be around \$679M, and it is still unclear when the port will reopen to international shipping lines.

Furthermore, Turkish air freight has also been severely [disrupted](#). Several Turkish airports were already coping with backlogs caused by poor weather conditions that had limited flight operations before the earthquakes struck.



Image Source: Istanbul Metropolitan Municipality

GERMAN AIRPORT STRIKES 🇩🇪

Public sector workers and ground handlers at seven major airports—Frankfurt Main, Munich, Stuttgart, Hamburg, Dortmund, Hannover and Bremen—[took part](#) in a day-long strike over pay which [caused](#) disruption to airline operations.

FINNISH WORK STOPPAGES 🇫🇮

The Finnish Transport Workers' Union (AKT)'s [rejected](#) the latest settlement proposal by the National Conciliator, [leading](#) to significant labor strikes in the Finnish stevedoring and transportation sectors. The strike impacts all of Finland's major seaports, with Maersk recently stating that it would divert all ships planned for stops in Finland's ports.

Technology

Infrastructure

-  **VANCOUVER, CANADA:** The Roberts Bank Terminal 2 Project has now [entered](#) the final stage of the federal environmental assessment process, which began in 2013. If approved, the expansion would add 2.4M 20' TEUs to the port's annual container handling capacity, [increasing](#) Vancouver's overall capacity by more than 30%.
-  **MONTREAL, CANADA:** The Port of Montreal has [earmarked](#) CA\$335M (USD \$247M) in its new five-year investment plan. Future improvements [include](#) an additional 6-kilometer track to improve the fluidity of rail transport and storage space, optimization of electrical substations, and modernization of the wharves to accommodate ships in complete safety.
-  **SANTOS, BRAZIL:** The investment will [increase](#) the port's annual movement capacity from 1.2M TEU to 1.4, as well as expand the size of the quay from 1,100 meters to 1,300.
-  **UNITED STATES:** The U.S. Department of Transportation's Maritime Administration (MARAD) has [announced](#) an additional \$662M in funding for the Port Infrastructure Development Program (PIDP) in 2023.
-  **GEORGIA, USA:** The Georgia Ports Authority (GPA) [approved](#) construction of seven additional refrigerated container racks at the Port of Savannah. Chilled and frozen warehouse space at the port is expected to grow by 11% in 2023 to more than 2.2 million square feet. Additionally, GPA [ordered](#) a set of giant STS cranes for a newly redeveloped section of the terminal's quayside. The port will be able to handle one extra 16,000 TEU vessel at a time, bringing its number of "big" berths to four, plus room for three more smaller ships. This adjustment, combined with the conversion of the nearby ocean terminal to an all-container operation, should add about 1.5 million TEU of capacity per year.
-  **FLORIDA, USA:** Port Everglades [received](#) a \$32M grant to mitigate environmental threats from flooding and sea level rise. The new bulkheads will be designed based on projections of a 4.36-foot rise in sea level by 2095, and the investment ensures continued access for marine vessels. Port Tampa Bay also [approved](#) the construction of a 500,000 square foot transloading facility to support more efficient cargo flow.
-  **NORTHWEST, INDIA:** Once completed, the Tuna-Tekra terminal [will add](#) a capacity for handling 2.19 million TEU in an emerging industrial region with a strategic position near the Gulf of Oman. The facility will also be able to handle ultra-large container vessels (ULCVs). The International Monetary Fund [forecasts](#) India's GDP to grow 6.8% in 2023, while exports are accelerating at a rapid clip.
-  **CHONGQING, CHINA:** In the past, many ships endured a roundabout trip to reach China's landlocked western regions, but the situation has gradually changed after the new International Land-Sea Trade Corridor was launched. So far, roughly 7,000 rail-sea intermodal trains have [traveled](#) along the corridor to Chongqing and 148,000 TEUs reached the city that way in 2022, a 32% rise year-over-year.
-  **QUANZHOU, CHINA:** Cosco Shipping Ports' Quanzhou Terminal will [construct](#) two new 100,000 ton-class berths, and phase one of the project has already started. When the entire project is completed, the annual handling capacity of Shihu port area will be increase 40% to 3M TEU.

Technology

Transport Technology

RETROFITTING PROGRAM

Hapag-Lloyd is **retrofitting** roughly 100 ships with new propellers and bulbous bows. The new propeller is slimmer, has fewer blades and the design is optimized for slow steaming to help the ships lower their fuel consumption.

ONE/SONY SMART CONTAINER SOLUTION

Ocean Network Express (ONE) announced plans to **collaborate** with Sony Network Communications Europe on the **development** of a 'smart container solution' for its global fleet of dry containers. ONE's announcement follows Hapag-Lloyd's April 2022 **decision** to equip all its dry boxes with sensors.

NUCLEAR POWERED MERCHANT SHIPS

Several Korean shipping lines are moving forward with plans to **develop** nuclear-powered merchant ships, and they are actively discussing how to develop small module nuclear reactors for ships. For now, there is a signed agreement to establish a cooperative basis for future commercialization, with a focus on large ship propulsion using molten salt reactors (MSRs).

BATTERY FIRE DETECTION

Prevention and control of lithium-ion battery fires has **become** a serious safety concern in the maritime industry. Early fire detection solutions are on the market, but many aren't adapted to identify the pre-ignition behaviors of lithium-ion batteries.

LAST-MILE DRONE DELIVERIES

There is a **growing list** of drone companies working to build last-mile and express logistics networks to serve the growing demand for home delivery, especially in rural areas.

NORTH AMERICA LOVES ROBOTS

North American companies ordered about 44,100 robots in 2022, an 11% increase over the previous year and a new record, according to **recent data**.

TIDAL POWER

The EU, U.S., Australia, and China have all **established** policy frameworks to promote development of ocean energy. The EU has moved fastest in terms of generating capacity, with the bloc accounting for one half of all wave energy and two thirds of new tidal power installations worldwide in 2021.

HMM CONTAINER INTERCHANGE PLATFORM

South Korea's HMM has **designed** its own online system to locate and exchange empty containers with other companies. The company applied to patent its HMM Container Interchange Platform (HIP) and developed the tool as part of the company's four-year digital transformation.

ID-BASED CONTAINER PICKUPS

Mediterranean Shipping Company (MSC) is the first shipping company in the world to **launch** ID-based container pickups, following a successful test phase in 2022. This technology allows MSC containers to be released for transport using ID and biometric data, rather than a PIN code, and is intended to improve supply chain security.

Technology

Sustainability

SEA LEVEL RISE PROJECTIONS

New LiDAR-based **research** finds that contingency plans related to sea level rise may need to **accelerate**. Scientists found that the flooding impacts are likely to happen faster than previously thought, and they **pose** a serious risk to coastal infrastructure like ports and shipyards.

LACK OF SCIENCE-BASED TARGETS

Microsoft and Tata Consultancy Services **investigated** decarbonization of major companies within the supply chain and found that only 16% of firms have publicly set science-based targets to reduce direct operational emissions, and just 11% have such targets for their supply chains.

XENETA PROVIDES TRANSPARENCY

Xeneta has **launched** a “heroes and villains” campaign to publicly identify the best and worst environmentally efficient carriers.

COLORADO RIVER DROUGHT 🇺🇸

The U.S. Department of the Interior is **imploing** Arizona, Nevada, California, Colorado, New Mexico and Wyoming to reach a voluntary agreement on how to cut their Colorado River water usage, which is approaching critically low levels. It doesn't appear that an agreement is close, meaning the Federal government may step in to make decisions.

SUSTAINABLE BIOFUELS 🇺🇸

The U.S. Department of Energy **announced** \$118M in funding for 17 projects to develop sustainable biofuels to improve America's domestic carbon footprint.

U.S. GREEN INFRASTRUCTURE 🇺🇸

U.S. ports are **expected** to build out nearly \$50B in green infrastructure over the next decade, with hydrogen set to play a significant role.

EU TARGETS RENEWABLE HYDROGEN 🇪🇺

The European Commission has **proposed** detailed rules to define what constitutes renewable hydrogen in the EU, with the adoption of two delegated acts required under the Renewable Energy Directive.

EV VERSUS COMBUSTION ENGINES 🇪🇺

According to a recent **report**, European logistics companies using an EV instead of an internal combustion engine for last mile deliveries saw an average reduction in mileage by 36,661 miles, fuel costs by around £4,000, and CO2 emissions by 8.3 tones per vehicle each year.

EVERWIND FUELS 🇨🇦

Canadian start-up EverWind Fuels **reports** it has received the first environmental approval for an independent project for the large-scale production of green hydrogen and green ammonia in North America. EverWind expects to commence phase one construction in 2023 for its operations, projecting that it will begin producing and exporting 200,000 tons annually in 2025.

Market Trends

S&P Global [predicts](#) trade activity will decline 1.9% year over year through Q1 2023 and drop another 1.4% in Q2 before recovering later in the year to reach 0.6% year-over-year growth overall in 2023. Maersk—a company handling about 1/6 of all the world’s containers—[expects](#) container shipping demand to [range](#) from -2.5% to 0.5%.

Ocean carriers are increasingly [pulling](#) their capacity away from Chinese export routes and redeploying the ships to other trade lanes with better growth potential. The biggest tonnage shift in terms of capacity was to Middle East and India-related services, which saw an annual boost of 320,600 TEU, or 11% of fleet capacity.

There is high potential for expansion of sea-air connectivity in Africa, with many companies hoping to connect with other regions. For example, DP World has [inaugurated](#) the Berbera Economic Zone (BEZ) with the government of Somaliland.

Average spot rates across eight major shipping routes have [dropped](#) by an average of 75% through December 2022, according to the Drewry World Container Index.

Drewry also [reported](#) that soft market demand had resulted in 98 cancelled sailings on major trade routes between March 6-10.

An International Monetary Fund study found that when ocean-freight rates double it [causes](#) inflation to rise 0.7%. Jonathan Ostry, a Georgetown University professor and a co-author of the study, said cutting shipping rates in half should reduce inflation by the same amount.

Inbound cargo volume at major container ports across the U.S. is [expected](#) to drop to the lowest level in nearly three years as retailers remain cautious about the economy. U.S. ports [handled](#) 1.73M TEUs in December, down 17.1% from December 2021, according to NRF and Hackett’s latest Global Port Tracker [report](#). While total U.S. containerized imports increase 0.3% in 2022, overall shipments from China [fell](#) 3.7%, about 435,500 fewer TEU moving from Chinese docks to U.S. ports.

INTERMODAL DECLINES

The Intermodal Association of North America (IANA) noted that Q4 2022 and calendar year 2022 intermodal volumes both [declined](#). For Q4, trailers again saw the steepest annual decline, falling 29.7%, while domestic containers decreased 4.2%, for its only negative quarter in 2022.

UK-EU TRADE DEFICIT WIDENS

In Q4 2022, the UK’s trade deficit with the European Union [widened](#) to the largest gap recorded since records began in 1997. The overall shortfall in the balance of trade in goods ballooned to £32.9B (USD \$39.9B) in the year’s final three months.

WAREHOUSE CAPACITY

There has been a broader [contraction](#) in warehouse capacity, likely in response to declining orders and inventory retrenchment. CoStar Group measured a 24% slide year-over-year in industrial construction during Q4 2022.

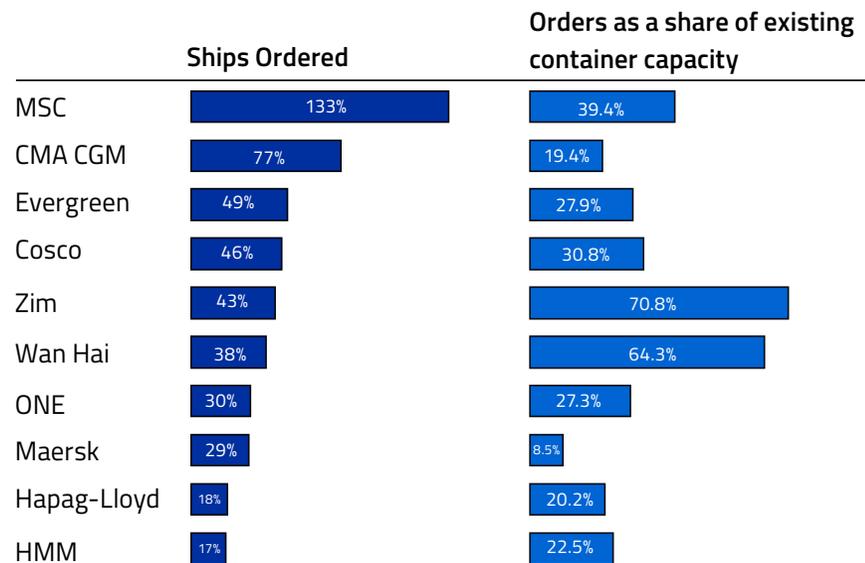
CHINA EXPANDS INTERNATIONAL TRAVEL

Several China-based airlines are [restarting](#) international flights from Shanghai and Guangzhou that were suspended during the pandemic. Unfortunately, consumers and shippers are likely to face high ticket prices and limited flight schedules.

Market Trends

Orders for the 10 Largest Shipping Lines

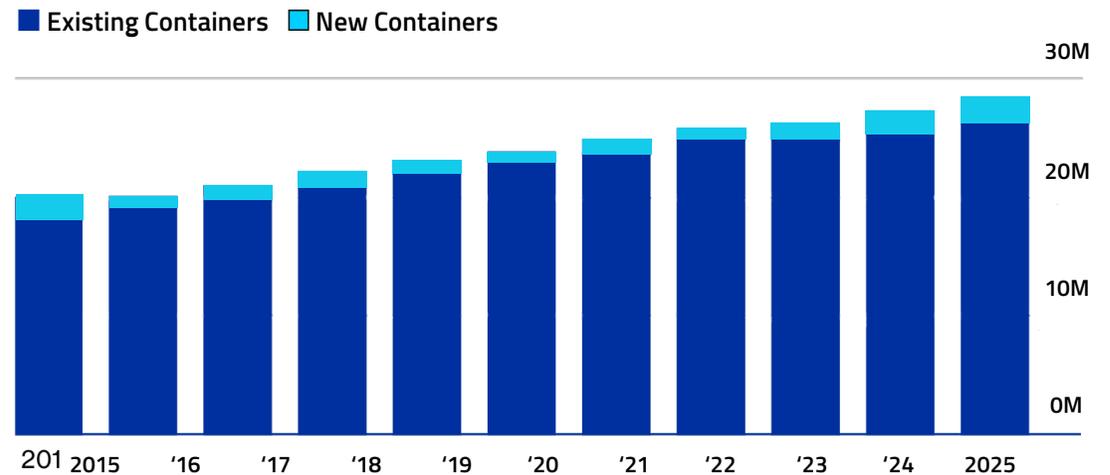
Note: As of 30 January 2023



Source: Alphaliner accessed via Bloomberg

Global Container Ship Capacity Shown in 20' TEUs

Note: 2022-2025 are projections



Source: Drewry Maritime Research accessed via Bloomberg

Maritime Strategies International (MSI) [estimates](#) that deliveries will total 717,900 20' TEUs in Q2 2023, up 62% from Q1, with deliveries expected to reach 764,800 TEUs in Q3.

32 total ships with 23,000+ TEU are due this year, with six units [scheduled](#) for release in March alone. A further 67 neo-panamax units of 12,000-16,000 TEU will also be delivered this year, of which 11 are scheduled in May. Following a similar trend as 2022, South Korea's leading ship manufacturers have already secured over \$7B in new orders since the beginning of 2023.

Market Trends

PRICING

TANKERS & SHADOW FLEET GROWTH 🇷🇺

The cost of moving gasoline and other fuels on ocean tankers **soared** after sanctions targeting Russia's petroleum took effect. Overall, tankers have **gone** from multi-decade lows to near historical highs over the past 12 months. For example, daily earnings for relatively tiny tankers **delivering** refined fuels in the Atlantic Ocean surged more than 400% during the first week of sanctions.

So far, as many as 600 vessels have **joined** a 'shadow fleet' of ships **helping** Russia to keep its petroleum flowing. According to recent **data**, a record 311 mid-range ships were recently **sailing** without cargo or destination, as compared to an average of 14 such vessels in previous years.

Most of Russia's oil infrastructure was **designed** to send the oil west, and many Russian crude export terminals can't handle larger tankers. Furthermore, most of its new consumer base has **inadequate** infrastructure to transfer major quantities.

MERGERS & ACQUISITIONS

FRONTLINE-EURONAV

The merger of tanker giants Frontline and Euronav has been quite messy, as **outlined** in this comprehensive, chronological timeline. The merger would have created a company with a fleet of 69 VLCC, 57 Suezmax vessels, and 20 LR2/Aframax vessels.

CP & KCS MERGER

Canadian Pacific Railway (CP) is **awaiting** a final regulatory decision on its merger with Kansas City Southern (KCS), in a deal that would create the only single-line railroad linking the U.S., Mexico and Canada.

HMM PRIVATIZATION 🇰🇷

Korea Development Bank and the Korea Ocean Business Corporation, both government institutions and two of HMM's largest shareholders, have **released** proposals to launch an advisor group that will sell their HMM shares.

LA MÉRIDIONALE 🇫🇷

CMA CGM has **begun** exclusive talks to **acquire** 100% of French shipping company La Méridionale as it works to strengthen its Mediterranean presence.



BOEING INVESTS IN INDIA 🇮🇳

India is the world's fastest-growing aviation market, and many companies are **investing** in enhancing the country's service network long term. Boeing will invest 2B rupees (USD \$24 million) in a logistics park and separately establish a support center for airlines near New Delhi. Boeing estimates the Indian commercial fleet could nearly quadruple by 2041 from 2019 baseline numbers.

Market Trends

SERVICES

JVH SERVICE

Ocean Network Express (ONE) will **add** a call at Hakata on its weekly Japan-Vietnam-Haiphong (JVH) service. The service will provide quick transit times (+/- 3 days) from Kaohsiung, Taiwan to Hakata, Japan.

CMA EGYPT

CMA CGM **announced** that its new terminal investment in Alexandria Port, Egypt, is ready to accept its GETEX and WEMED services.

ZIM ASIA-US EAST COAST

Zim Integrated Shipping is **putting** larger ships into its expedited ocean service from Southeast Asia to the U.S. East Coast while also increasing the service's frequency. The capacity boost comes as the service's first U.S. destination, the Port of Baltimore, readies for additional intermodal capacity.

JINGJIANG KOREA-INDONESIA SERVICE

Shanghai-based Jinjiang Shipping is **planning** to open a new service to Korea and Indonesia, with the new service call at the ports of Shanghai, Pusan, Kwangyang, Ho Chi Minh, Jakarta and Surabaya.

CATHAY SEA-AIR INTERMODAL

Cathay Pacific Cargo and the Cathay Pacific Cargo Terminal are the first carrier and cargo terminal duo to have cargo shipments accepted in Dongguan and **transported** by ship to Hong Kong International Airport for outbound airfreight. The setup enables full upstream sea-air intermodal export cargo handling between the Greater Bay Area (GBA) and Hong Kong.

MSC FEEDER

MSC **announced** a new weekly feeder service connecting Ireland (Dublin & Cork), France (Le Havre), and Belgium (Antwerp). The service will connect two important transshipment centers in Northwestern Europe and will take effect at the end of February.

MSC SENTOSA LOOP

MSC is **expanding** its Sentosa loop and offering a direct connection from the Indian ports of Mundra and Nhava Sheva to the U.S. west coast gateways of Long Beach and Oakland. Currently at seven, the service will now deploy twelve 11,500-16,650 TEU vessels.

Tariffs/Surcharges

FMC TAKES INITIATIVE

2022's Ocean Shipping Reform Act (OSRA) granted the Federal Maritime Commission (FMC) greater discretion and authority over foreign-flagged carriers business operations on U.S. waters. These powers include enhanced authority to receive complaints, as well as a streamlined process for handling charge complaints.

In a recent example, the FMC has **implored** Mediterranean Shipping Company (MSC) to justify a congestion surcharge levied against SOFi Paper Products, a U.S.-based company.

SUEZ CANAL TARGETS TANKERS

Egypt's Suez Canal Authority (SCA) will **increase** transit surcharge fees for crude oil and petroleum product tankers starting on 1 April 2023 and applying to vessels going both directions. Surcharges on both laden crude oil and petroleum product tankers will increase from 15% to 25% of normal transit fees, while the surcharges for empty (ballast) tankers will increase from 5% to 15%.

Trade & Compliance

Laws/Legislation

FMC RAMPS UP INVESTIGATIONS

The Federal Maritime Commission (FMC) is currently **working** through 200+ complaints against carriers. The recent Ocean Shipping Reform Act added approximately \$6 million more a year to the FMC's budget to support the agency's staffing constraints. Many of these hires will be investigators, attorneys and other enforcement positions.

RAILROAD 'CLOSE CALL' REPORTING PROGRAM

 All seven Class I railroads have **signed** on to the Federal Railroad Administration's new voluntary program that enables workers to anonymously share situations in which there might be operational hazards.

SAFETY MEASUREMENT SYSTEM

The United States Department of Transportation's (DOT) Federal Motor Carrier Safety Administration (FMCSA) **unveiled** changes to its Safety Measurement System (SMS) **focused** on reducing and preventing crashes.

INDIA RESTRICTS OLDER SHIPS

India's Directorate General of Shipping **said** the country is **withdrawing** trading licenses for all tankers that are 25 years old or more. Additionally, they will **ban** the acquisition of vessels 20 years or older, and this also applies to specialized vessels, container vessels, cement carriers, gas/chemical tankers, harbor tugs, and dredgers.



INDIA-UK FREE TRADE DEAL

The United Kingdom **expects** to reach a free trade deal with India and to enter the Trans-Pacific Partnership agreement in 2023.

SOUTH CHINA SEA REMAINS CONTENTIOUS

Ferdinand Marcos Jr., President of the Philippines, **granted** the U.S. temporary and rotational access to four military bases and resume joint maritime patrols in the South China Sea as it hopes to strengthen the Philippines' defense capabilities.

LOGINK: U.S. lawmakers are hoping to enact new ocean shipping reforms that stunt China's ability to **exploit** proprietary cargo shipping data. According to U.S. authorities, a Chinese state-sponsored shipment tracking data exchange—the National Transportation and Logistics Public Information Platform (LOGINK)—poses a threat and China's government is actively encouraging ports, ocean carriers and freight forwarders to adopt LOGINK by providing it for free.