



WEEK 26 // JULY 8 2022

APERTURE & *FOCUS*

A Global Network Advisory Series by Kintetsu World Express, Inc.



Global Logistics Partner

GLOBAL APERTURE

Tensions rise and demand slides. Europe finds itself in a whirlwind of transport union strikes, bringing multimodal congestion throughout the Schengen region.

Meanwhile, Asia-Pacific receives a windfall of air services, restoring intra-Asia and Asia-Europe connectivity despite softer cargo demand for Asia-US routes.

Latin America's air market stands as an exception, at least based on trade data compiled by IATA in May, thanks to new services, added capacity, and freighter acquisitions.

Container congestion is back according to global trade analysts, with over one third of box ships reportedly berthed at ports around the world—over \$40 billion in cargo are stuck outside major US ports. Dry bulk demand tapers down for transpacific and transatlantic routes as American ports rank highest for detention & demurrage fees, according to a recent industry survey.

REGIONAL FOCUS

AMERICAS

Demand



Rates Demand



Capacity

Labor contract negotiations between dockworker union leadership and port management go overtime, but cargo operations will continue throughout the West Coast according to a recent joint statement.

Oakland Port officials reduce free dwell time from seven to four days for import containers on July 1 on account of upstream disruptions at origin ports in Asia, further dampening shipper demand and near-term performance outlook. Outbound rejection rates at the fourth largest US port, Savannah, have remained consistently above 10% and the ports of Norfolk and New York-New Jersey see a rise in shipping activity. In response, global liner CMA CGM issues multiple blank sailings for US East Coast, Pacific Southwest, and Pacific Northwest trade lanes.

Ongoing congestion observed at Canada's Prince Rupert Port is attributed to bottlenecks at the inland terminals

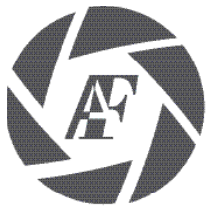
of Toronto and Montreal; container dwell times average more than a week. These bottlenecks underscore the persistent truck driver shortage in North America, and a forthcoming decision by the US Surface Transportation Board (STB) may upheave the proposed merger between two of the region's largest providers: Canadian Pacific (CP) and Kansas City Southern (KCS).

Latin America is not unscathed either: several ports in Mexico have reported yard densities of up to 90%, and ongoing civil unrest throughout Ecuador has blocked major roads and port entrances throughout the country.



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ASIA-PACIFIC



Yard density in the East Asia ports of Busan, Ningbo, Singapore rises to uncomfortable levels following the passage of Typhoon Chaba last week—more cargo vessels have been spotted at Shenzhen Port.

A block exemption for Vessel Sharing Agreements (VSA) is renewed for four more years by Hong Kong's antitrust agency—the Competition Commission concluded that VSAs continue to “meet the requirements of the efficiency exclusion”—in 2017 the Commission passed the exemption on the basis that such VSAs would maintain supply chain performance.

An ongoing strike by 4,000 truckers at India's southern corridor will delay transit to the ports of Chennai, Ennore, and Kattupalli.

Cathay Pacific restores freighter capacity to pre-pandemic levels as Hong Kong plans to formally lift Covid-19 flight bans and halve the duration of its quarantine period on July 7. Sector analysts project that higher passenger demand for transatlantic flights ex-China may ease pressure on outbound freighter capacity, while intra-Asia freighter services by three India-based carriers become a topic of concern after several technical malfunctions forced eight cargo planes to abandon scheduled routes over the past month.

Malaysia's Raya Airways plan to increase freighter fleet size by fourth quarter, Etihad Cargo launches 15 direct freighter flights per week with Shanghai and Hong Kong via Abu Dhabi, Taiwan-based EVA Air announces nonstop flights to Milan and Munich in the third quarter, and India's forthcoming cargo airline Pradhaan Air Express receives certification from the country's aviation authority.

EUROPE, MIDDLE EAST & AFRICA



Port Rotterdam is still heavily congested due to poor vessel transit reliability and the growing excess of imports in the container yard. Many empty containers have been moved to off-site locations.

Paris' Charles de Gaulle Airport strike ended on July 3 with a settlement reached on July 7, but another union-backed walkout initiated on July 6 disrupts SNCF's intermodal drayage operations through France, affecting cross-border rail services to adjacent countries.

Spanish airport staff of select airlines also announce work stoppages, and unionized aviation fuel staff at London-Heathrow announce a 72-hour strike on July 21, affecting potentially up to 70 airlines. Members of the UK's Associated Society of Locomotive Engineers and Firemen (ASLEF) and Transport Salaried Staffs' Association (TSSA) unions have also initiated strike ballots, adding to supply chain anxieties.

In response, three of the largest airlines will significantly chop up summer services—Lufthansa plans to ax several hundred flights next week, Air France-KLM will cancel up to 20 intra-Europe services per day through August, and British Airways is set to cancel over 10,000 scheduled flights until October.