



GLOBAL APERTURE

New outbreaks of the Covid-19 Omicron variant have been detected in all regions over the past week, followed swiftly by increased border controls. Many countries have suspended arrivals from and to South Africa, Lesotho, Botswana, Zimbabwe, Namibia, and Eswatini, and health ministers of the G7 Nations convened virtually on November 29 to coordinate an international response.

The development has rattled near-future outlook for the transport industry, and industry group IATA has already warned that further travel restrictions may jeopardize air cargo capacity. The announcements follow recently published air cargo data results highlighting November’s off-season performance. Even as congestion eased over the past month at several major hubs, analysts propose the subdued year-over-year trends in dynamic load factors and handled volumes were attributed to ground handling setbacks and structural bottlenecks that slowed loading, unloading, and deconsolidation times. Now airlines are trying harder than ever to fill staffing deficits and equipment shortages.

Sea freight analysts are on the lookout for potential effects the Omicron strain may have on the market based on past performance during the Delta variant, but caution that unilateral attempts by country officials to limit vessel movement and crew changes may stagnate recovery through 2022.

REGIONAL FOCUS

AMERICAS

Capacity
Rates
Demand



Rates

Capacity



Inland “pop-up” container yards are being established by port authorities, rail operators, and the U.S. government to combat dockside congestion across the country. Charleston Port becomes the latest hub to suffer from import congestion, while container-embattled port authorities in Seattle follow their Tacoma partners to impose excess dwell fees. Some maritime experts say the easing logjam at Los Angeles and Long Beach ports has been misrepresented due to a new vessel queuing system that allows vessels to wait outside of the ports’ Safety and Air Quality Area (SAQA), implemented to reduce the buildup of fuel emissions. In the heartland, such news amounts to real-time volatility as rail terminals and trucking companies contend with unpredictable schedules and insufficient staffing.

Can we expect more pressure to hit the air market? Perhaps, but recent decisions to continue U.S.-South

Africa direct flights by Delta and United Airlines show that the industry doesn’t intend to wince.

Another week of rain delays efforts to restore rail service at Vancouver Port, compounding supply chain setbacks as over 50 cargo vessels had queued to berth on November 29. To make matters more challenging, a union representing about 200 of Vancouver Port’s 1,700 truckers issued a 72-hour strike notice to begin December 3.

In Mexico, new waybill regulations for cross-border cargo transport begin on December 1, with full enforcement to begin January 1.

ASIA-PACIFIC

Rates
Demand

Capacity



Demand

Rates
Capacity



Outbound demand presses higher in the Asia-Pacific air market this week after an announcement from Cathay



WEEK 48 // DECEMBER 3 2021

APERTURE & FOCUS

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

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Pacific that their European services will be readjusted, citing weak passenger recovery, equipment shortages, and quarantine measures placed on its cargo pilots in mid-November.

Things don't look too hot for ocean as well: the Southern California port congestion has once again backed up vessels on the other side of the Pacific: several cargo ships originally bound for the U.S. West Coast were reportedly idling just outside ports of Japan, Taiwan, and China on November 30.

China has suspended non-containerized rail imports to some border cities along the North and West after a new cluster of Covid-19 infections were reported in Manzhouli, Inner Mongolia. Additionally, new regulations by China's Civil Aviation Administration (CAAC) will restrict passenger-to-cargo flights from some cabin conversions and from transporting goods not deemed "anti-epidemic items" starting from January 1, 2022. Seaports have also been ordered to ban foreign crew changes and impose up to seven weeks of quarantine for Chinese seafarers. In response to these policies, inland vessel operators along the Pearl Delta River plan to suspend feeder services from late-December through mid-February, sapping capacity in South China.

To maintain network connectivity, Singapore Airlines converted some of its South Africa-bound passenger flights to cargo-only services after country health officials enacted air traveler restrictions on November 27. Neighbor carrier Malaysian Airlines has established a Vaccinated Travel Lane between Kuala Lumpur and Singapore, and the Johor Causeway connecting the two Southeast Asian countries has extended hours of operation to ease cross-border cargo congestion. Vietnam Airlines has also launched twice-weekly direct flights between Ho Chi Minh City and San Francisco, with near-term plans to increase frequency and expand service to Los Angeles.

New market data suggests that the reopening of international travel had a contrary effect on cargo capacity; analysts say that while more planes were deployed to handle transatlantic flights, belly-hold capacity was predominantly filled with passenger baggage. Some airlines have also diverted flights from Frankfurt Airport after cargo delays were reported on November 29, attributed to an influx of cargo and stringent import customs procedures. Now, news of the Omicron variant in the region has thrown some countries back into lockdown while others have resumed or tightened pandemic restrictions.

At the epicenter of the Omicron outbreaks, South Africa has lost significant air capacity from Europe, Asia, and the Middle East. Along with intra-Africa carriers, only a handful of international airlines have resumed or converted services with the country.

Port troubles continue to weigh down the sea freight market too: Felixstowe will stay benched from shipping alliance 2M's megaship service routes until next March, while drayage companies warn of recent delays and lost containers at some terminals in Liverpool. According to local KWE sources, disruptions have persisted at France's Le Havre Port through the previous week due to cargo oversaturation at the terminals, disorganized efforts to return empty containers, and insufficient storage space outside the port. Import operations are particularly affected, and both carriers and port authorities will continue to apply detention and demurrage charges.