



WEEK 8 & 9 // FEBRUARY 28 2022

APERTURE & *FOCUS*

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



GLOBAL APERTURE

Airspace is heavily disrupted in Eastern-Europe as the Russia-Ukraine conflict escalates, and Turkey has warned all countries against sending warships to the Bosphorus and Dardanelles Straits that lead to the Black Sea—a move to partition military and economic affairs. Many countries have begun to close their airspace to Russian-owned, Russian-registered or Russian-controlled aircraft including Canada, the UK, and the EU. In response, Russia announced a sweeping ban on airlines from 36 countries from entering Russian airspace. With these and other restrictions impairing their abilities to operate, major airlines have adjusted their Europe service connections or reduced capacity, and Moscow-based carrier Volga-Dnepr—a specialist in oversized and irregular cargo—is partially incapacitated.

A multilateral investigation into antitrust allegations has been jointly established by authorities in Australia, Canada, New Zealand, the UK, and the US. The inquiry, which follows a joint-action from the Federal Maritime Commission and the Department of Justice to increase oversight for ocean carriers, will explore whether carriers have colluded to manipulate capacity during the pandemic to drive up profits.

Backlog recoveries at ports around the world face additional delays as Omicron outbreaks surge throughout cargo ship crews: in addition to debilitated staff, entire vessels have been quarantined for up to three weeks in compliance with strict protocols at Chinese ports. As vaccinations among seafarers steadily rise, four UN agencies including the International Labour Organization (ILO) and the International Maritime Organization (IMO) published a joint statement calling on stakeholders to support the welfare of maritime workers.

REGIONAL FOCUS

AMERICAS



Official port data showed steady increases in cargo volumes moving through Los Angeles and Long Beach in January. California state officials have leased six off-dock properties to further alleviate the supply chain bottleneck caused by record-breaking cargo volumes, although the Excess Dwell Fee continues to be postponed. The facilities are estimated to increase capacity by about 20,000 containers.

Prolonged delays in Mexico's ports of Tuxpan and Pajaritos have led some shippers to seek alternative solutions via neighboring ports in Mexico. But the rising demand for trucks is also beset by capacity challenges as convoys of truckers travel to Washington, D.C. in protest of cross-border vaccine mandates. In contrast, there have

been no reported protests on the US-Mexico border. In March, Canada Airlines will resume non-stop services to Tel Aviv, Paris, Tokyo, and Amsterdam via Toronto, while Aeromexico reintroduces flights between Mexico City and London on April 1.

ASIA-PACIFIC



Dozens of cross-border truckers from Hong Kong tested positive over the past week after Shenzhen raised transport restrictions, and now authorities are investigating a logistics company on suspicion of flaunting anti-epidemic rules. Shenzhen's port officials have also resumed feeder routes with Hong Kong to alleviate cargo backlogs caused by the cross-border restrictions.



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EUROPE, MIDDLE EAST & AFRICA

Rates Demand



Capacity



Rates Demand



Capacity



Vietnam's aviation authority restricts airspace over parts of Ukraine and Russia on behalf of the International Civil Aviation Authority (ICAO), but several other Asian carriers report their European services have not been affected by the conflict. Budget airlines of Korea such as T'way Air, Jeju Air, and Air Premia are expanding cargo-only services for domestic and international routes. Singapore Airlines plans thrice-weekly flights to Cairns, Australia starting March 28. State-funded Vietnam Airlines resumes international flights to 20 destinations including Hong Kong, Japan, South Korea, Malaysia, Philippines, Singapore, Taiwan, Thailand, United Arab Emirates, China, and the US.

Ongoing customs clearance delays at India's Kochi Port have slowed cargo movement significantly over the past week—the delays have been attributed to stricter inspections of agricultural goods. A state-operated container terminal at Jawaharlal Nehru Port was victim to a cyberattack on February 21, affecting its management information systems and suspending vessel berths—cargo operations are reportedly slow as authorities restore digital infrastructure.

Although the Russia-Ukraine conflict takes center stage in global business—closing EU and UK airspace to Russian carriers and vice versa—it was certainly not the only event affecting regional trade. Over the past week, Storm Eunice suspended cargo operations at several UK ports including Felixstowe, Southampton, and London Gateway with winds exceeding 100 mph. Ground transport via rail and lorry were also affected, while hundreds of scheduled flights were canceled through the week.

Import cargo flow was also heavily disrupted by storms in Belgium, Netherlands, and Germany, forcing megaports like Rotterdam, Antwerp, and Zeebrugge to suspend operations between February 17-20. Delays were also briefly experienced at Hamburg Port on February 21 after environmental activists blocked terminal roads.

In the meantime, analysts say the ongoing conflict will not only dampen near-term outlook for passenger and cargo recovery, but also affect transit times and capacity for Europe-Asia service routes that formerly cut across Moldova, Belarus, and southern Russia. To compensate, some airlines have reinstated pre-pandemic services or increased capacities to the US. Though the situation remains extremely fluid, some European carriers are intent on maintaining a "business-as-usual" approach to the rest of their operations: Lufthansa will launch a medium-haul network on March 15, with the inaugural flight scheduled to service Frankfurt and Dublin. In time, the network will expand to serve Istanbul, Tel Aviv, Manchester, and Cairo, among other regional hubs.



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