

March 2024

# Eco X-Press

Ecosphere Global Logistics Newsletter



Let's Chat!

Welcome to our inaugural edition of Ecosphere Global Logistics Eco X-Press Newsletter.

We are thrilled to embark on this journey with you as we navigate the seas of global freight and logistics, keeping you informed and empowered every step of the way.

In this month's edition, we set sail with critical updates on the Red Sea Crisis, where geopolitical currents impact shipping routes. We bring you insights into how these developments might influence your supply chain and strategies to stay resilient in the face of uncertainty. Our compass then points towards the Panama Canal, a vital conduit connecting the Atlantic and Pacific Oceans.

As we delve into the heart of the matter, our spotlight shines on the dynamic US freight market. Uncover trends, challenges and opportunities that may impact your shipments across the nation. Stay ahead of the curve with our market analyses and expert perspectives to optimize your logistics strategies.

At Ecosphere Global Logistics, we are committed to providing you with the latest industry insights, ensuring your cargo sails smoothly through the ever-changing seas of global trade. Your success is our destination, and we are honoured to be your trusted partner on this voyage.

**Bon Voyage!**

## Red Sea Crisis



As communicated in a January update, the strategic decision by carriers to reroute vessels around the Cape of Good Hope has indeed triggered noteworthy changes within the freight and logistics sector. Over the past month, we've observed a substantial surge in ocean freight rates, marked by the introduction of Emergency Surcharges, General Rate Increases (GRI's) and Peak Season Surcharges (PSS). Unfortunately, this shift has also impacted schedule reliability, with reliability rates falling below 50% on routes connecting the Far East and Europe.

Anticipated equipment shortages are now becoming evident, especially in specific regions like India. The fear of port congestion has been alleviated in most regions, Container hubs in North Europe have displayed remarkable adaptability, efficiently managing vessel delays.

Conversely, North American ports are experiencing some congestion, particularly at the East Coast and Gulf Ports. The root cause of this congestion can be attributed to schedule disruptions stemming from both the Panama and Suez Canals. Additionally, on the US West Coast, terminal volumes have seen a notable increase. While the Red Sea crisis has played a role, it's important to note that this surge is also influenced by developments at the Panama Canal and heightened consumer demands. Despite these

challenges, we want to assure you that carriers are actively adapting to the new operation landscape. Many have demonstrated commendable agility in managing equipment supply through swift actions in container control. To alleviate the strain, carriers have implemented temporary measures, including a moratorium on container sales, decreasing extension container hire days and a pause on returning equipment to lessors.

On 19th of February, the European Union (EU) announced the launch of the naval operation in the Red Sea named EUNAVFOR ASPIDES. The operation is set to establish and EU naval presence in an area that has witnessed numerous Houthi attacks targeting international commercial vessels since October 2023. ASPIDES aims to enhance maritime security and ensure the freedom of navigation, particularly for merchant and commercial vessels. The operation will be active in both the Bab al-Mandab Strait and Strait of Hormuz along with the international waters in the Red Sea, Gulf of Aden, Arabian Sea, Gulf of Oman and the Gulf.

Due to the ongoing Red Sea Crisis, the transition of shipments from sea to air cargo, driven by the urgency associated with time-sensitive deliveries and rising container rates has placed considerable pressure on airlines and the ground handling agents. Already experiencing significant challenges to operations to Dubai due to a sudden surge in volumes. In Mid-February, Dnata, handling approximately 7400 tonnes of cargo daily, temporarily suspended imports for 48 hours. Some airlines are still struggling with movement of cargo which we hope will not be further stressed as UAE's new customs reporting requirements for cargo travelling to and through the country which have come into effect 29 February.

Consequently, airfreight rates have witnessed an upward trajectory in tandem with the heightened volume of cargo. Anticipate continued disruptions in airfreight as shippers increasingly opt for air transport to meet time critical cargo requirements.

At Ecosphere Global Logistics, we are committed to navigating these challenges alongside you. Our team is closely monitoring the situation, working with carriers to minimize disruptions and optimize your supply chain.

## Panama Canal



The dry season in Panama is currently in full swing, and its impact on container vessels persists. As the canal approaches the record-low water levels witnessed last year, the Panama Canal Authority refrains from making projections beyond April. If water levels continue to decrease below last year's record lows, the possibility of surcharge increases loom. Vessels lacking a reservation for the crossing may encounter indefinite delays.

Maersk informed its customers they would be utilizing a land bridge for cargo from Australia and New Zealand. Instead of going through the Panama Canal, the vessels would call the Ports of Balboa, Panama on the Pacific side – dropping off cargo heading for Latin America and North America and picking up cargo heading for Australia and New Zealand.

The Port of Manzanillo, Panama, on the Atlantic side will be used for dropping off cargo heading for Australia and New Zealand and pick up cargo heading for Latin and North America. Once at the port, containers would be loaded or unloaded and would then move via an existing rail over a distance of 80kms across Panama to be picked up by another vessel. The change in service covers two transits per week, according to Maersk.

Meanwhile there is growing interest in the proposal to operate freight trains connecting Mexico's Pacific Coast with the Gulf of Mexico. This idea is not solely perceived as an alternative to the Panama Canal but is rather seen as a component of broader economic and logistics development in the region.

The evolving landscape in Panama and the exploration of alternative transportation modes underscore the dynamic nature of global trade routes.

## North America

In a progressive move, the Federal Maritime Commission (FMC) has recently enforced stricter regulations regarding container late fees. New billing standards have been introduced for shipping lines and terminal operators, eliciting praise from shippers and port truckers while facing strong opposition from carriers and terminal organizations. Notably, motor carriers, port drayage carriers in particular without contracts with ocean carriers, will no longer receive demurrage and detention bills – an applauded decision by the American Trucking Associations' Intermodal Motor Carriers Conference (IMCC).

Effective May 26, Shipping lines and terminal operators are mandated to adhere to updated requirements when issuing invoices for detention and demurrage. One significant aspect of the new rules is stipulation to resolve matters within 30 calendar days. Additionally, the regulations outlined the minimum data requirements for detention and demurrage invoices, encompassing details such as the invoice day, invoice due date, allowed free time, start and end dates of free time, container availability date for imports, earliest return day for exports, and specific date(s) for live demurrage and /or detention charges.



The rules explicitly state that the omission of any required information in a detention or demurrage invoice absolves the billed party of any obligation to pay the applicable charge. While importers and exporters welcome this development, carriers caution that it may have cascading effects. They anticipate a decline in the timely collection and return of empty equipment, potentially leading to port congestion and exacerbating the very issues that properly applied detention and demurrage charges are designed to mitigate. The longer-term impact remains uncertain, and only time will reveal the consequences of these regulatory changes.

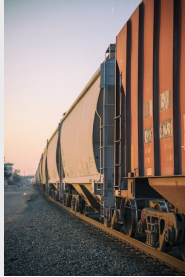
We have an update on the horizon that might stir a bit of concern, the labor contract between the International Longshoremen's Association (ILA) and the United States Maritime Alliance (USMX) is gearing up for its finale, set to expire at the end of September.

Here's the lowdown: ILA stands strong with around 70,000 dockworkers, while USMX represents employers at 36 coastal ports, including heavyweights like the Port of New York and New Jersey, The Port of Savannah, Georgia, and the Port of Houston – three of the busiest ports in the U.S.

Negotiations kicked off back in February, 2023, but the road has been bumpy, mainly due to the hot topic of wage increases. Fast forward to now, and the outlook hasn't exactly brightened, in November, ILA leadership sent out a warning to approximately 45,000 members, hinting at a potential coastwide strike in October, 2024 when the current master contract bids adieu. It has been made clear – no extensions beyond the expiration date.

So, come October 1, don't be surprised if ILA dockworkers trade in their pallet jacks for picket signs. If things go south and a coastwide strike becomes a reality, it might just shift the balance in favor of the West Coast, marking a significant event since the last coastwide strike in 1977. Stay tune for updates and lets hope for smooth seas ahead.

Speaking of strike action, in Canada, the union representing Canadian National Railway (CN) and Canadian Pacific Kansas City Ltd (CNPK) advises public safety is at stake as CN and CNPK aim to eliminate all safety critical rest provision from the agreements. The dispute starts the clock on a possible strike or lockout which could occur as soon as May.



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## Europe

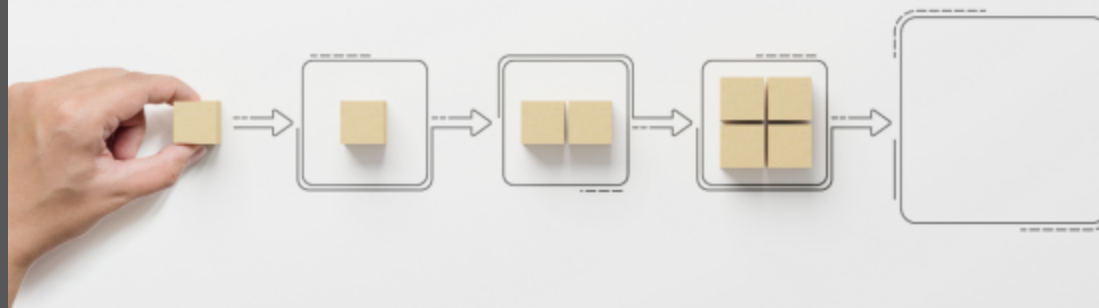
Farmers are making their voices heard through organized protests, and it's causing a bit of a traffic tango in Germany, Belgium and France. Hold on to your shipping containers because the reasons behind these demonstrations are as diverse as cargo manifests. Take Germany, for example – farmers there are revved up about a proposed cut in subsidies for diesel fuel, which will impact transportation costs. Meanwhile, in Poland, and other Eastern European nations, roads and border crossings are being barricaded as farmers put their logistics foot down to curb the influx of cheap imports from Ukraine.

On January 29, 2024, major German ports like Hamburg, Bremerhaven and Wilhelmshaven, found themselves in a bit of a jam due to these protests, leading to extensive traffic delays. Simultaneously, protesting farmers in Belgium obstructed a major highway on January 29, and the port of Antwerp faced blockages on January 30. Meanwhile, in France demonstrators disrupted major roads around Paris, resulting in significant congestion. We are left with some uncertainty of when things will get back to normal in these important European trade routes.

Navigating through disruptions can be a challenge. With delays and equipment shortages impacting some trade lanes more than others. It's a good time to contact your Client Success Manager to dive deeper into optimizing your supply chain strategy, our experts are just conversation away.

[Contact your CSM](#)

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