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# Apparel and Footwear 2021

***What will the apparel industry look like post-pandemic?***

***The apparel and footwear industry is undergoing some profound changes as the pandemic's grip loosens, what will the industry look like?***

By George Lauriat, AJOT


The Sri Rejeki Isman, known as Sritex, factory in Solo, Indonesia. (Photo: Dimas Ardian/Bloomberg)

The apparel and footwear sector were already under siege when the COVID-19 pandemic struck. Tariffs introduced by the former Trump Administration had led to retaliatory tariffs igniting trade skirmishes with many of the nation's trading partners and all out trade war with China. Even with the trade deal negotiated in late 2019, China and the United States still remain at odds over trade. And the Biden administration, while it isn't as wed to the issue of reducing trade deficits as the former administration, nevertheless is unlikely to give up a negotiating advantage without China conceding on some points. There was also another round of tariff hikes on China designated to take effect on March 31st.

It is with this backdrop that Stephen Lamar, chief executive officer of the American Apparel and Footwear Association (AAFA) asked that the tariffs be removed quickly, explaining in an interview with Seana Smith of Yahoo Finance, "Look, during a pandemic is the worst time to be charging tariffs. It's a cost. It means that we're paying these taxes to the US government, that prices get inflated. It denies us the ability to hire more workers to pass along those savings to consumers. This is the wrong time to be adding tariffs. So, we're hoping they'll be able to turn their attention to that as quickly as they possibly can."

Lamar (and the AAFA) has many reasons to want the tariffs to drop but the bottom line is that the apparel and footwear industry has been taking a beating and have either closed shops or gone outright into bankruptcy like legacy department stores and outlets including Century 21, Lord & Taylor, Neiman Marcus, the Gap, Brooks Brothers, JC Penney, Abercrombie & Fitch, Francesca's and Macys.

To be sure, tariffs weren't the sole cause. The pandemic's lockdowns accelerated a move to e-commerce that devastated brick and mortar business. But for an industry based largely on imported goods, the double whammy of tariffs and lockdowns has altered the business landscape.

The question Lamar and others have in the post-pandemic reality is will the apparel and footwear industry rebound, and in what fashion?

### Stimulating a Recovery

For now, Lamar got his wish. On March 11th, President Joe Biden signed the $1.9 trillion COVID-19 relief bill into law a few days after temporarily extending tariff exclusions. And as Lamar in his statement said, "This relief comes just days after the decision to temporarily extend tariff exclusions for imports of crucial Personal Protective Equipment (PPE) and to temporarily lift other punitive tariffs which have been undue taxes on American businesses and consumers."

But Lamar also pointed out, "Beyond stimulus, it is important we quickly pass legislation to build a backstop for trade credit insurance and create limited liability protections, both of which are needed to sustain our recovery."

Exactly what that recovery will look like for the apparel and footwear sector is still uncertain. The economic recovery from other retail sectors is already well underway with certain caveats. The National Retail Federation (NRF) reported in March that February numbers in a year-over-year basis (Commerce Dept. figures) were up 6.3%, despite a minor slowdown in February.

NRF Chief Economist Jack Kleinhenz said, "Despite that, it's hard to see this as a setback when you consider

*(APPAREL – continued on page 4)*


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*(APPAREL – continued from page 2)*
how large the year-over-year gains are and that sales are well above pre-pandemic levels. February had winter storms that impacted consumers' ability to get out and shop, and the IRS' delay in when it started accepting tax returns pushed back the release of refunds. But increased vaccinations and reductions in restrictions allowed more people to venture out and government stimulus gave them more money to spend."

Overall, the NRF is forecasting that 2021 retail sales will increase between 6.5% and 8.2% percent over 2020, for a total between $4.33 trillion and $4.4 trillion.

However, the kicker in all the stimulating good news is that clothing and clothing accessories haven't been keeping pace with other retail sectors. According to the NRF, "Clothing and clothing accessory stores were down 2.8% month-over-month seasonally adjusted and down 14.9% unadjusted year-over-year." While clothing retailers are hoping that as the pandemic's impacts lessen, more dollars move out of service-oriented goods and back into apparel and footwear purchases. Still, the question remains on whether the mall maul will continue or will brick and mortar make a comeback as people hit the streets?

### Sourcing Puzzle

The apparel and footwear industry are highly dependent on sourcing its products from low cost nations like Bangladesh, Indonesia, Myanmar, Vietnam and of course, China. And while sourcing keeps production costs down and lowers the prices for the consumer, sourcing comes with its own puzzling set of problems. Take the Swedish retailor H&M, as an example. Awhile back, H&M made a statement broaching concern over the reports China was using the ethnic Muslim minority Uyghurs as forced labor in the Xinjiang region – a major source of cotton used in production of apparel. The United Nations Human Rights Council (UNHRC) had even sent letters to major companies in the textile and apparel industry highlighting concern over the potential use of forced labor in China.

In many respects, there was nothing that unusual in the H&M position as many other brands, celebrities and governments, including the U.S., have made similar pronouncements. Recently, Britain, the EU, Canada and the U.S. placed sanctions on Chinese officials involved in the mass internment of Uyghur Muslims in Xinjiang.

But China is different than most sourcing countries as it is also one of the largest apparel consuming nations in the world – one that is rapidly expanding into brand awareness – and China's consumers have power that President Xi Jinping's government is well aware of.

And China's consumers retaliated against H&M's position by boycotting the brand (and similarly doing the same to other well-known name brands like Nike).

### The Move got H&M's Attention.

H&M subsequently (March 31st) issued a letter which began with the statement "We are working together with our colleagues in China to do everything we can to manage the current challenges and find a way forward." Further the statement said, "We are dedicated to regaining the trust and confidence of our customers, colleagues, and business partners in China. By working together with stakeholders and partners, we believe we can take steps in our joint efforts to develop the fashion industry, as well as serve our customers and act in a respectful way."

The dilemma that H&M is experiencing with China is really the same conundrum all textile and apparel companies face. Can an apparel company move ahead with alternative sourcing (it is worth noting that many thought Myanmar would be a good alternative up until two weeks ago) and perhaps more challenging, can their bottom line afford to ignore the China market?

**US BL Import Houses**

HS CODE: 61 & 62 Garments (Knitted and Not Knitted)

| | TEUs | | | TEUs | | | TEUs | |
|---|---|---|---|---|---|---|---|---|
| **Co. of Origin** | 2,020 | 2,019 | **US Port** | 2,020 | 2,019 | **US Region** | 2,020 | 2,019 |
| China | 415,171 | 507,964 | LA, CA | 275,334 | 323,563 | West | 537,997 | 636,305 |
| Vietnam | 179,219 | 187,267 | Long Beach,CA | 248,851 | 294,134 | South Atlantic | 217,906 | 256,663 |
| Bangladesh | 75,298 | 81,529 | NY/Newark, NJ | 187,480 | 230,453 | East | 191,074 | 235,128 |
| Indonesia | 47,049 | 58,540 | Sannah, GA | 112,105 | 116,008 | PNW | 56,812 | 60,508 |
| Cambodia | 41,826 | 38,872 | MIAMI,FL | 39,353 | 45,880 | Gulf | 55,306 | 61,681 |
| India | 39,749 | 49,537 | Houston,TX | 37,370 | 33,397 | Mid Atlantic | 38,131 | 44,739 |
| Honduras | 35,078 | 51,041 | Norfolk,VA | 34,857 | 41,745 | Puerto Rico | 1,329 | 1,332 |
| Hong Kong | 33,493 | 43,329 | Tacoma,WA | 33,493 | 39,380 | Great Lakes | 24 | 21 |
| Pakistan | 32,851 | 34,994 | Port Everglades, FL | 29,078 | 38,771 | Midwest | 16 | 28 |
| Guatemala | 18,715 | 20,414 | Charleston,SC | 25,798 | 34,672 | Unknown | 1 | 14 |
| Others | 180,147 | 222,935 | Others | 74,876 | 98,417 | Others | -0 | -0 |
| Total | 1,098,596 | 1,296,420 | Total | 1,098,596 | 1,296,420 | Total | 1,098,596 | 1,296,420 |


# Handling the cargo surge at NY/NJ: Doing better than most

***NY/NJ Port community tackled issues as they arose***

By Peter Buxbaum, AJOT

It's a story that's being replayed in supply chains and at ports across the globe, including the port of New York and New Jersey. After a few months of dramatic declines in cargo, during the early months of the COVID-19 pandemic, a resurgence beyond all expectations took place.

After seeing monthly declines of over 16%, the port of New York and New Jersey set a February cargo record this year, with increases of 6.8% over the previous record from February 2019. This follows on the heels of even more dramatic gains of 16% in January, 21% in December, 23% in November, and 13% in October, all compared to pre-COVID months in 2019.

March 2021 figures, which haven't been made public, "remain very strong," said Beth Rooney, the deputy port director, in an exclusive interview with the *AJOT*, "and we haven't taken our foot off the pedal yet." The port usually looks for yearly growth of between 3% and 3.5%, levels not likely to be seen again until 2022.

These levels of cargo growth are so dramatic that they represent "five years of growth in just six months," said Rooney. In other words, the port is currently handling volumes that had been previously projected for 2026.

All of which has created problems for the port and its stakeholders. "It has stressed the supply chain at every node," said Rooney. "We didn't have five years to make infrastructure investments, equipment adjustments, or procedures to bring on additional personnel."


Beth Rooney, deputy port director, PANYNJ

## Maximum Load Factors

As a result, "Everything is tight," said Rooney. "Capacity is tight, dwell time across the gateway has doubled, containers are remaining on the terminal longer, and they're sitting on chassis on the street longer."

Ocean carriers and shippers are having difficulty finding empty containers at points of origin and it's become harder getting space on ships. "Ships are leaving their origins at 100% load factors, so they are discharging larger volumes of cargo at the port," said Rooney. "The increase in larger ship activity at the port during 2020 was significant." Last year, 28% of vessels handled at the port were over 13,000 TEUs, up 4% over 2019.

Meanwhile, warehouses are still operating under COVID manning procedures. Crews are smaller, so loading and unloading take that much longer. "It's taking longer for

*(**SURGE** – continued on page 6)*

# Northeast ports 2020: Chasing the wind

***Ports up and down the US East Coast are chasing the wind as offshore (and onshore) wind generating projects gain momentum.***

George Lauriat, AJOT

Northeast ports are positioning themselves to capitalize on the offshore wind bonanza that is beckoning from Maine to Maryland. While it isn't quite the California gold rush of the 49ers, nonetheless it is a rush to get in early on a multi-billion dollar market. On March 29th, the Secretaries of the Interior, Energy, Commerce, and Transportation all met to announce a commitment to "establish a target to deploy 30 gigawatts (30,000 megawatts) of offshore wind by 2030, creating nearly 80,000 jobs," with much of that tally coming on the East Coast.

At the moment, offshore wind power operations are in their infancy with only one up and running operation and another pilot program project. The Danish owned Ørsted operates the Block Island Wind Farm, America's first offshore wind farm, and also constructed a two-turbine Coastal Virginia Offshore Wind pilot project. Notably, the first turbines to be installed in federal waters.

But this is only a fraction of what is in the pipeline. Ørsted, whose North American operations is jointly headquartered in Boston, Massachusetts and Providence, Rhode Island, has secured over 2,900 megawatts of additional capacity through five projects in the Northeast and Mid-Atlantic.

Ørsted's five project undertaking is just the beginning and building the port and manufacturing infrastructure to support the long term build-out of offshore wind power is paramount. Ports like Davisville Rhode Island and South Jersey Port Corporation (SJPC) are already vested to the process of becoming hubs for offshore wind power. But many other Northeast and Mid-Atlantic ports are also

(*CHASING* – continued on page 11)

(*SURGE* – continued from page 5)

cargo to get off the terminal and longer to get into warehouses," said Rooney. "Boxes are sitting on chassis in warehouse parking lots and the truckers' storage yards."

The Port Authority of New York and New Jersey, and its stakeholders have taken measures to address these issues, and, according to Rooney, they are being handled better at NYNJ than in some other places. "We attribute this to the Council on Port Performance," a public-private body convened to address challenges faced by the port community, said Rooney. "We didn't have to put a new forum together to understand how we were going to deal with this activity."

Once COVID hit, the council began meeting weekly, since dialed back to every other week. "Every sector of the supply chain has been working together to identify issues," said Rooney.

The council understood, for example, that once retail stores started closing, cargo would start piling up and warehouse space would run low. "So we identified every square inch of warehousing space and open storage land available and made marriages between those who needed and those who had," said Rooney. "That helped cargo flowing."

### Smooth Sailing

NYNJ hasn't had more than two vessels sitting at anchor at any one time during the pandemic, according to Rooney, a phenomenon she attributes to the coordination facilitated by the port authority among terminal operators, labor, chassis providers, and others. By contrast, at the ports of Los Angeles and Long Beach, there were 24 container vessels reportedly at anchor awaiting berth in mid-March, with an average wait time of over a week.

The good news for the future is that the current cargo volumes will eventually level off as demand for furniture, appliances, and home office and gym equipment return to normal. "There won't be a new group of stay-at-home people," said Rooney. "Everyone who was building home offices and classrooms, who were rebuilding their kitchens, or furnishing their new suburban homes have already made their investments."

As the port resumes operating with expectations of healthy, but not overwhelming, cargo growth, the Port Master Plan, a 30-year roadmap for land-use and infrastructure development projects, still guides planning activities. A three-year study is currently underway with the U.S. Army Corps of Engineers on the further deepening of shipping channels so the port can accommodate larger vessels.

"That study will provide a decision point about where additional capacity needs to be established," said Rooney. Port Jersey in Bayonne, the southern peninsula of Port Newark, 100 acres of undeveloped land in Elizabeth, and 60 or so acres at Port Ivory in Staten Island are among the candidates for expansion sites.

Later this year, the port authority expects to release a contract bid document for the last of the planned major port roadway enhancements. "At the same time," said Rooney, "terminal operators continue to build out their equipment capabilities and are making additional optimization enhancements."

There is also talk of increasing the port workforce and to replace an aging labor pool. To that end, the port authority developed an initiative with half a dozen regional high schools to

(*SURGE* – continued on page 15)

# Port of Boston: 2020 – The best bad year ever

***The Port of Boston TEU throughput dropped 9% to 283,061 TEUs in FY 2020 – so why was that a good year?***

By George Lauriat, AJOT

When is a bad year good? That's the question buried in the 2020 numbers for Massport's Paul W. Conley Terminal, the Port of Boston's container facility. In 2020 the port handled FY (July-June) 283,061 TEUs [CY 268,418 TEUs] down from the record setting FY 2019 totals of 307,331 TEUs, which had marked the fifth consecutive year that the Port set a record. It looked like the Port was headed for a 350,000 TEU record, setting up the possibility of eclipsing 400,000 TEUs – a once unthinkable number – in the very near future. So, why didn't the upward trajectory continue?

What happened to the Port, was what happened to us all – the COVID-19 pandemic. However, the regional economics of each area are slightly different and the impacts are different in the Greater Boston area than say the vast Long Beach-Los Angeles metro area.

The Boston area, and indeed virtually the entire freight catchment area for the Port of Boston, is weighted heavily in services, especially the hospitality sector. The lockdowns throughout the New England region contributed to a decline in demand at a number of levels. For example, there are over fifty institutes of higher learning in the Greater Boston area (Route 128 belt) and each year over 150,000 students are added to the City's population of nearly 700,000. If the semi-circle is widened out a few more miles, it is estimated that student population tops 250,000. With the lockdown, there were fewer students staying in the Boston area which along with closures of restaurants and hotels and the near eclipse of tourism dampened demand for high value consumer goods within the arc. Similarly, exports to global markets were also impacted as each area went through the cycle of openings, lockdowns and re-openings according to the effectiveness of pandemic mitigations.

Massport itself was hit in a number of ways as revenue from Logan International Airport plummeted as flights dropped. Additionally, the 2020 cruise season evaporated like sea smoke with the curtailing of cruise ship calls, and the port was subject to first half bypasses as demand fell.

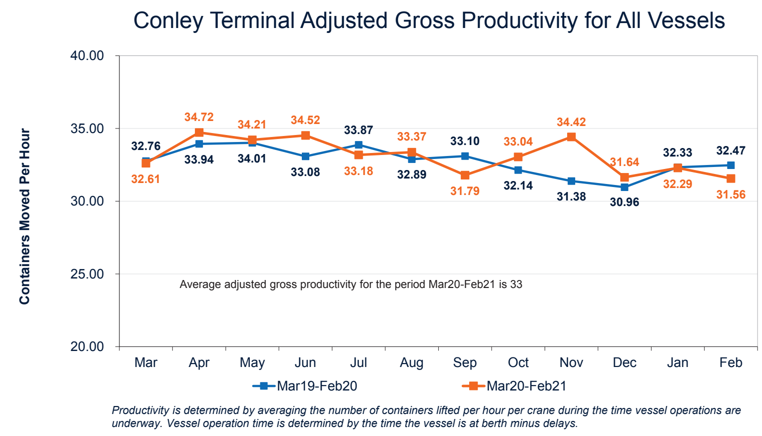
However, a secondary trend also wedged its way into mainstream economics during the COVID crisis: E-commerce. New England, and really the entire Northeast United States, with high density metropolitan areas and above average household incomes [for example, Boston's household income is $71,834 and $79,835 for Massachusetts] are tailor-made for e-commerce. And the pandemic's shift to remote work contributed to an already altered consumer buying behavior in the region

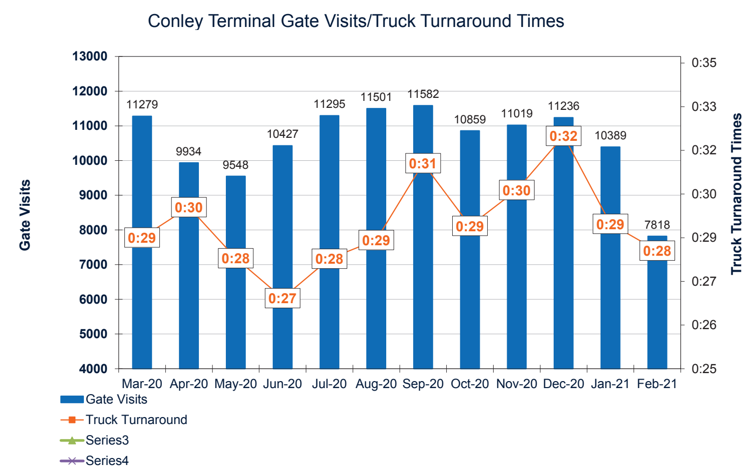
### Build It [and Dredge It] and They Will Come

Nearly a decade ago it became obvious that the "Big" ship era was coming and coming fast. Conley Terminal and the navigational approaches would all need a significant upgrade to handle the next (and the next) generation of container ships if the Port was to remain relevant. For Boston, a terminal of dreams (with apologies to baseball's Field of Dreams) would be able to handle containerships in excess of 13,000 TEUs with adequate main channel depths, depths alongside the terminal and gantry cranes that could handle more than 20 across. However, since the need was imminent, at a very minimum the Port needed to be able to handle ships over 10,000 TEUs.

Massport and the State understood the seriousness of the situation and put the

*(**BEST** – continued on page 13)*

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# St. Lawrence River two-container port concept under threat?

By Leo Ryan, AJOT

While the Port of Montreal has successfully navigated through the demanding regulatory process paving the way to begin construction this year of a new container terminal, the same cannot be said for the Port of Quebec in its ambitious goal to become a second container port on the St. Lawrence River.

The so-called Laurentia project entails an investment of C$775 million by Hong-Kong based Hutchison Ports, CN and the Port of Quebec to build a deep water terminal conceived principally as a new maritime gateway between North America and Southeast Asia, targeting notably the Midwest market from its strategic location. Piloting the project is Don Krusel who spearheaded the transformation of Prince Rupert, British Columbia, into the fastest-growing container port in North America in the past decade.

Assuming no delays transpire, Laurentia is slated to be operational by 2024, with annual capacity of 700,000 TEUs. CN and Hutchison have pledged to inject over C$500 million in the venture. There are ongoing discussions with the federal and Quebec governments to complete the financing.

At the outset, one should recall that projects such as Laurentia are automatically reviewed for national security reasons by the federal government under the Investment Canada Act that screens big foreign investments. This coincides with a time of possibly all-time lows in Canada-China relations provoked by the unwarranted arrest several years ago of two Canadians on alleged spying charges.

*(**THREAT** – continued on page 12)*

Assuming no delays transpire, Laurentia is slated to be operational by 2024.

Feeder vessel that will be first on service.

# Halifax-Great Lakes container service slated for May

By Leo Ryan, AJOT

In a development worth watching, newly created Doornekamp Lines has announced the launching in May of a bi-weekly Canadian-flag container service via the St. Lawrence Seaway between Halifax and Picton, a small growing port on Lake Ontario. Doornekamp Lines is a subsidiary of Doornekamp Construction, a family-owned business with head office in Odessa, Ontario.

"The Doornekamp Lines service between Picton and Halifax will fill a need on the Great Lakes for shortsea shipping," said one of the principals, Ben Doornekamp, in an interview. Picton is 120 miles east of Toronto and the heart of Canada's biggest commercial market.

"We look to Europe for inspiration," Doornekamp said, adding: "Currently Canada does a terrible job in shortsea shipping."

French carrier CMA CGM, he indicated, has agreed to be one of the initial users.

First feeder vessel on the service will be the Gesina Schepers, an Antigua Barbuda-registered vessel with a capacity of 855 TEUs and reported draught of 8.5 metres. Recently in the western Mediterranean, the chartered ship is presently heading towards the Great Lakes.

"Booking all cargo and containers now!" stated Doornekamp. "We move all types and sizes of containers, heavy lift, breakbulk, project cargo, etc. We can provide first and last mile trucking options through local transportation

*(**SLATED** – continued on page 12)*

*(CHASING – continued from page 6)*

preparing for the economic blast from wind power.

### Bonding Moment - $60 Million Quest for QDC

Perhaps the port leading the queue for wind power development is the Port of Davisville in Rhode Island. The Port of Davisville has already made a name for itself as one of the nation's top auto ports and was also a key port for the staging for the construction of the first U.S. wind farm located off Block Island. But Davisville needs an infrastructure upgrade if it is to continue to be a leading port for offshore wind power development.

On March 2nd Rhode Island voters went to the polls to vote on seven ballot questions, including Question 7 which if approved would see the state issue $60 million in bonds to the Quonset Development Corporation (QDC) for economic development activity, including $40 million for industrial site development.

For a number of months business leaders have been stumping for the question to be approved as QDC, which encompasses the Port of Davisville, has been one of Rhode Island's most successful economic enterprises.

All 7 bond measures were passed by Rhode Island voters and while #7 was expected to be lucky with the formal tick of the box, a number of development projects can now kick into high gear.

Essentially, $20 million of the $60 million will go to the Port of Davisville's construction of a new pier and renovation of the existing Pier One, (a pier built during World War II) and the accompanying dredging. Both projects are essential to the growth of the Port which annually handles over 200,000 vehicles and as such has been described as the "biggest small port" in the country. Autos aside, the real purpose of investment in the Port's piers is to position Quonset as a potential hub for offshore wind power activities.

The Port is already onboard with the Revolution Wind project which is designed to provide 400 megawatts of energy from the offshore wind farm to a new substation in Quonset before being routed to the Davisville Substation and pushed onward through the Rhode Island power grid. Offshore wind is a critical piece in the State's avowed goal of running on 100% renewable energy by 2030 – less than two decades away.

### City of New London CT and Ørsted ink HCA

The Port of Davisville isn't the only New England port positioning itself for the offshore wind power boom. The nearby Port of New London Connecticut has also thrown its hat into the ring. On February 26th Connecticut's Governor Ned Lamont announced that the City of New London and the Ørsted/Eversource Joint Venture have signed a Host Community Agreement (HCA) to facilitate the redevelopment of State Pier into a modern, heavy-lift facility capable of supporting offshore wind turbine staging and assembly and a broader range of cargo businesses. The agreement represents a critical milestone in the state's quest to become a national leader in offshore wind development while providing the City of New London with significant economic opportunity as it becomes a regional epicenter of offshore wind development.

The HCA guarantees at least $5.25 million in payments to the City of New London over seven years. The agreement also provides for the city's revenue to increase as Connecticut's use of renewable offshore wind expands over the next decade.

"Today's agreement makes Connecticut's role as a leader in the offshore wind industry official, with New London now poised to become the premier commercial East Coast hub for this sector and our state set to become a leader in the transition to renewable energy and the fight against climate change," Governor Lamont said. "This project represents exactly what I have wanted to see at the local level since I came into office – local investment, job growth, development, and a focus on providing for a better environment and future for our state. I am proud to see this agreement come to fruition, and I am especially proud of our private sector partners working with us in the public sector to make this project a reality."

The HCA provides $750,000 annually to the City of New London for seven years during the construction of the Revolution Wind, South Fork Wind, and Sunrise Wind projects. If Eversource and Ørsted win any Connecticut offshore wind procurement during those seven years and JV work continues at the port, the annual payment will extend through year ten of the host community agreement. The HCA builds on an earlier Ørsted and Eversource commitment for the first two years of operations at State Pier.

Under the terms of the agreement, the HCA will provide New London with $750,000 in base revenue over a seven-year period with the expectation that the payments will continue for ten years and beyond. When the agreement becomes fully implemented, with other payments by the Connecticut Port Authority and port operator Gateway Terminal, the city is to realize more than $1 million per year for the initial seven-year period. If the joint venture receives additional awards from the state to produce more energy, the city will continue to receive $1 million annually in years eight, nine, and ten. The city can also receive up to an additional $750,000 annually on top of that if the joint venture attains certain bid levels.

Should the Eversource and Ørsted joint venture win additional offshore wind procurement awards from Connecticut, the agreement increases payments up to $1.5 million per year retroactively to year three regardless of the year the award is received. Additionally, according to the deal the payments are retroactive, meaning the City of New London would receive the maximum investment regardless of when the increased activity thresholds are met.

### Port of Albany Notches Deal for Wind Power Assembly Plant

It seems over the last five years there is always something being built at the Port of Albany, located around 514 miles up the Hudson River from New York City. And this year is no different as the Port prepares for construction of a $300 million plus wind power turbine tower manufacturing and assembly plant on the 81.6 acre Bethlehem expansion area adjacent to the Port's main Hudson River facilities. Recently, the Port of Albany signed a nearly $7 million deal with two engineering firms, California-based Moffat and Nichols and McFarland-Johnson Inc. of Binghamton, New York to provide the design and engineering for the wind power

*(CHASING – continued on page 14)*

*(THREAT – continued from page 10)*

### Canadian Arctic

Late in 2020, the Ottawa authorities blocked the sale of a gold mine in Canada's Arctic region to a state-owned Chinese company. The acquisition would have given Chinese interests access to a Canadian Arctic port as well as proximity to a military installation some 60 miles away.

In the last two years, proposed investments by Hutchison have been turned down in Australia and Israel.

But most challenging for the moment for the Port of Quebec and its chief executive Mario Girard has been countering the impact and contents of a strongly negative environmental report last November by the Impact Assessment Agency of Canada.

The agency declared that in its present form the Laurentia project "is likely to cause significant adverse environmental effects."

It referred in particular to "significant direct effects on fish and fish habitat, even with the application of mitigation, monitoring, compensation and follow-up measures."

Further singled out was "significant direct and cumulative residual environmental effects on air quality and human health due to increased emissions of particulate matter and contaminants from fossil fuel combustion during both the construction and operational phases of the terminal in an environment previously saturated with airborne contaminants."

The port has since submitted counter-arguments to the agency, and a final decision by the federal Environment Minister is anticipated by this summer.

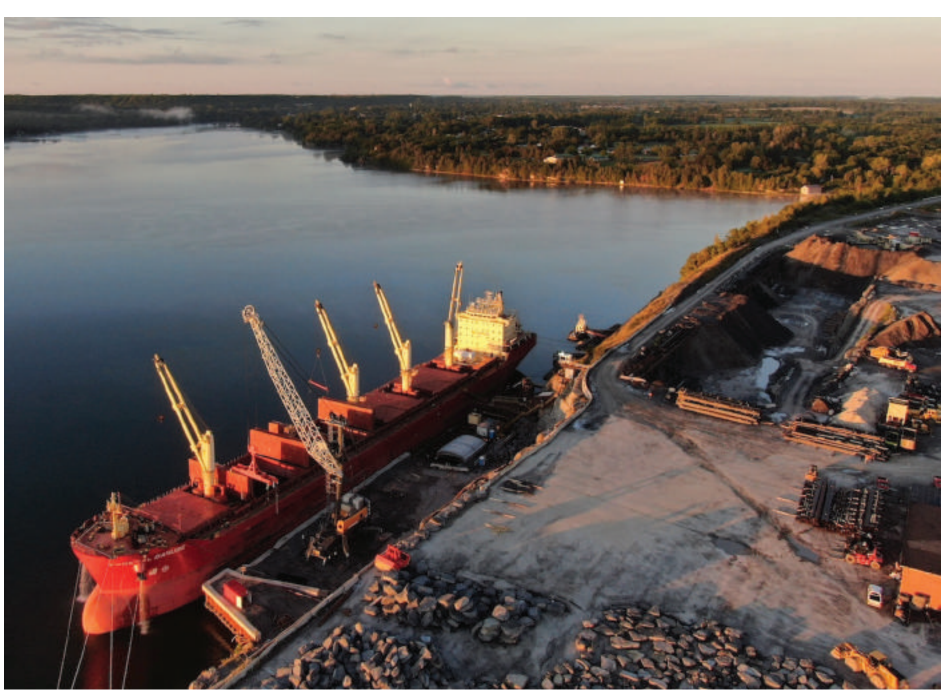
But whereas many municipalities and businesses in the Province of Quebec support the project for its economic benefits, local environmental and citizen groups have been escalating their opposition to what they see as an attack on a unique rural coastal environment in Quebec.

### Environmental Green Light for Montreal

For the Port of Montreal, a much different scenario has emerged for the container terminal project at Contrecoeur, situated 25 miles downstream on the St. Lawrence River. Costing about C$900 million, it would increase the port's container capacity by about 1.15 million TEUs to 3.5 million TEUs upon planned completion in 2024 - 2025. Discussions with potential terminal operators have included Montreal Gateway Terminals Partnership and Termont Montreal, with no foreign group publicly identified thus far.

Several key milestones have been reached following the up to C$300 million in financial backing offered in December 2019 by the Canada Infrastructure Bank. Last summer, the Montreal Port Authority launched

*(THREAT – continued on page 14)*



Aerial view of Port of Picton



*(SLATED – continued from page 10)* provider Cooney Transport.

"Doornekamp Lines is dedicated to creating new opportunities for regional consumers and ultimately supporting Canadian consumers by increasing transport efficiencies, improving road safety and offering a more environmentally responsible option for both domestic and international trade.

"Doornekamp Lines offers an alternative transportation mode that facilitates diversification in the logistics chain from the East Coast to the Ontario Market."

In Phase 2, the Ontario-based shipping enterprise intends to include a bi-weekly service between Picton and Cleveland, Ohio.

Because of the St. Lawrence Seaway's limited draught of just over 8 metres (27 feet), the first vessel is not expected to move fully-loaded through the waterway.

It has been more than four decades since there has been a cellular service between an east coast port and the Great Lakes. Back in 1981, Manchester Liners abandoned a 500-TEU service it had operated for a decade between Montreal and the Great Lakes. A brief exception took place last October when Groupe Desgagnés, in a geared vessel, transported nearly 400 containers from Montreal to Toronto – a one-time event in relation to the huge backlog at the Port of Montreal generated by a series of summer docker strikes.

Since purchasing in 2015 the Picton Terminals port property (originally built by Bethlehem Steel in 1954), Doornekamp has invested substantially in its redevelopment. A Liebherr LH 420 crane offers a lifting capacity of 125 tonnes. On site there is a fleet of two flat deck barges, three hopper barges and two tugboats. The port is thus well equipped to handle heavy lift, project cargoes and marine construction. Importantly, a 220,000 sq. ft. expansion at dock level is slated for completion this year. In 2020, Picton handled 150,000 metric tons of cargo.

(*BEST – continued from page 8*)
wheels in motion for a massive terminal overhaul.

The resulting reinvention of Conley Terminal and the channels began in 2014 and was an expensive undertaking with Massport investing $850 million in waterside and landside infrastructure and another $350 million for The Boston Harbor Dredging Project – a $350 million partnership between the U.S. Army Corps of Engineers, the Commonwealth of Massachusetts, and Massport.

The terminal improvements included a 50-foot deep berth alongside and three new ship-to-shore gantry cranes. The gantry cranes had to be specially designed to avoid air draft restrictions from Logan International Airport, located on the opposite side of the harbor from Conley Terminal. This made the cranes 205 feet high from sea level and 160 feet high from the rail, with an outreach of 22 rows, capable of handling 12,000-14,000 TEU vessels. Other improvements included a new gate in the processing area and new reefer stack.

Phase 2 of the dredging was completed this year, which from a dredged material perspective represents 90% of the task. Phase 2 resulted in deepening the Outer Harbor Channel, from 40 feet to 51 feet; the Main Shipping Channel, from 40 feet to 47 feet; and the Reserve Channel, where Conley Container Terminal is located, from 40 feet to 47 feet. It is also worth noting that Boston Harbor has a 9-foot plus tidal variation, which enables larger ships to come in on the high tide and unload and depart on a low tide. Additionally, the Turning Basin was widened to 1,725 feet enabling the Port to handle 10,000 TEU ships and larger.

$61.8 million of the federally funded Phase 3 segment was awarded to Great Lakes Dredge and Dock in March. This final phase of the Boston harbor deepening project involves the excavation through drilling and blasting of hard rock and will significantly improve access to Conley Terminal. The project is expected to be complete by the end of the year (2021) and is not expected to impede container terminal traffic during the process.

The two gantry cranes scheduled for newly built Berth 10, which are being built in China, are expected to be finished by April. The cranes will be shipped on a 2 ½ month voyage to Boston and should arrive late June. After that the process of getting the cranes ready and tested for operation and labor trained should put the Berth on pace to begin operations sometime in late September.

### Can Conley be a 400,000 TEU Terminal…or More

The need to overhaul the terminal and channels for bigger boxships was driven home when South Korean Hyundai Merchant Marine (HMM) joined THE Alliance (THEA) composed of the carriers Hapag Lloyd, ONE, Yang Ming and HMM which was calling in Boston. HMM was adding their 13,000 TEU ships to the rotation calling in Boston – a size the Port and Conley Terminal weren't prepared to handle. As a result, THEA canceled their weekly Boston call which amounted to nearly 30%-33% of the cargo volumes handled by the Port. This left the 2M alliance comprised of Maersk and MSC (Mediterranean Shipping Company) and the Ocean Alliance [composed of CMA-CGM, APL, COSCO, Evergreen and OOCL] to pick up the slack. Since the number of slots on rotation is allocated on a port-by-port basis, soliciting more slots for one port is taking away slots from another port. Thus, trying to convince the other alliance member carriers to shift more slots to the Boston call was virtually impossible.

Nonetheless, around 66% of the TEUs "lost" when the THEA pulled out were made up by an increase in TEUs handled by the 2M and Ocean carrier alliances. The result was a "good" bad year with over 282,000 TEUs passing over the piers.

But the real question is can Massport regain the momentum it had established in the years prior to the 2020 pandemic and surpass 400,000 TEUs?

When the new berth is fully operational sometime in the Fall of 2021, Massport will finally have the tool in the tool box to solicit new services and bigger ships. Obviously, getting THEA back into the fold is a priority. Another key is upgrading the 2M service to larger vessels from the current 4,500 TEU ships. Finally, on the Massport wish list is a Suez Canal service that would offer the Port connections to the Mediterranean, India and the Sub-Continent and Asia.

**Conley Terminal Volumes in 2020**

| Fiscal Year | Import TEU | Export TEU | Empty TEU | Total TEU |
|---|---|---|---|---|
| FY 2020 | 143,665 | 75,120 | 64,276 | 283,061 |
| **Cal Year** | **Import TEU** | **Export TEU** | **Empty TEU** | **Total TEU** |
| CY 2020 | 137,098 | 79,133 | 52,187 | 268,418 |

Source: MASSPORT

### Will They Come?

Just because you built it, will they come? The answer is a little more complex as the Port is bracketed by the Port of Montreal to the north, the Port of Halifax to the northeast and the mega-Port of New York/New Jersey to the southwest. And this doesn't include the competition from ports down as far as Baltimore for slots on containership services. So, ocean carriers have choices. In fact, by most estimates the Port of New York/New Jersey is the "largest" New England port with a 50% share compared to a 45% slice for the Port of Boston and the remaining 5% divided up among services through Canada, up the East Coast from other ports and rail from the West Coast ports.

From a demand perspective, Boston handles far more inbound cargo than outbound. For example, in FY2020 Boston handled 143,665 import TEUs compared to 75,120 export TEUs with another 62,276 TEUs of empties. In terms of ratios, for full containers inbound it is about 50.8% to outbound 26.5% (the rest are empties). Historically, inbound containers are full of higher value consumer goods that cube out – basically lighter freight – while
(*BEST – continued on page 15*)

Contrecoeur project at Port of Montreal moving forward

(*THREAT* – *continued from page 12)*
the public procurement process to prepare for the terminal's design and construction, and the winning bidders will soon be announced.

On the critical environmental front, the outlook has been markedly boosted by the quite favorable late autumn report by the Impact Assessment Agency of Canada. The latter opined that the Contrecoeur terminal was "not likely to cause significant adverse environmental effects, taking into account the implementation of key implementation measures."

Then, most recently (on January 12), the Quebec government pledged C$55 million in financial assistance to the Montreal Port Authority towards the Contrecoeur project.

However, before the Contrecoeur project enters full construction mode, Montreal port officials are anxiously awaiting a resolution of the prolonged, bitter conflict between the Montreal Employers Association and the union representing 1,125 dockers. The existing collective agreement expired on December 31, 2018. A series of work stoppages last summer provoked substantial vessel and cargo diversions and supply chain bottlenecks across much of eastern Canada. And a seven-month truce ended on March 21 with the two sides still at loggerheads, again inducing shippers to begin making contingency plans



(*CHASING* – *continued from page 11)*
plant project.

The Port of Albany hit high gear on wind power when on January 13th the port was awarded a bid to be the site for New York State's first wind power manufacturing and assembly site. The New York State Energy Research and Development Authority (NYSERDA) selected a joint bid from energy company Equinor, and wind industry manufacturers Marmen and Welcon to build two offshore wind farms with a combined output of nearly 2.5 gigawatts of electricity. The Port of Albany's selection for the project was part of the Equinor bid [Equinor holds two lease areas, the Empire Wind lease area located nearly 20 miles south of Long Island]. The port commission also selected McFarland-Johnson Inc. of Binghamton to assist with engineering, bid review and construction administration for the proposed wind tower manufacturing and assembly plant. The contract calls for McFarland-Johnson to be paid up to $1.59 million to provide infrastructure design and engineering services and up to another $3.1 million for assisting with engineering, bid review and construction administration for proposed wind tower manufacturing and assembly plant.

When completed the Bethlehem facility will build some 350 wind towers for deployment.

When completed the Bethlehem facility will include up to five buildings, totaling an estimated 600,000 square feet of assembly, storage and office space.

Perhaps lost in the offshore build out is the fact that the Port of Albany is also a destination for onshore wind power equipment.

### NJ Plans to be Mid-Atlantic Hub for Offshore Wind Power

Perhaps nowhere else was the Biden administration announcement of support for offshore wind power more welcomed than the state house in Trenton, New Jersey. Contained within the announcement of the commitment to wind power [see above],the Interior Department's Bureau of Ocean Energy Management [BOEM]said that the New York Bight, an area of shallow waters located between New Jersey and Long Island, would become a priority Wind Energy Area. Further, Secretary of the Interior Deb Haaland explained the area encompasses some 800,000 acres. BOEM now will identify potential sites for wind farms, including an environmental review with public comment, and decide whether to sell leases for development as early as the end of this year.

This is all very good news for New Jersey.

New Jersey's Governor Phil Murphy has become a major advocate for offshore wind power, first announcing plans in June 2020 of a plan to build a wind port on an artificial island in the Delaware River and then upping the ante with the December announcement of a $250 million investment in a wind-related manufacturing facility in the Port of Paulsboro to be operated by EEW Group, a company based in Erndtebrück, Germany. The company's EEW Special Pipe Constructions subsidiary, based in the Rostock Port on the Baltic Sea, manufactures foundation structures for the offshore wind and oil and gas industries.

The Paulsboro Marine Terminal is a 190-acre facility inaugurated in 2017, primarily to handle breakbulk

(*CHASING* – *continued on page 20)*

# Port of Baltimore's construction of second 50-foot berth significant calling card

On March 24th Maryland's Governor Larry Hogan made a visit to the Port of Baltimore to see for himself the dredging work underway at Helen Delich Bentley Port of Baltimore's Seagirt Marine Terminal on a 50-foot deep berth.

While most port projects around the nation do not generally attract a visit from a governor, there was good reason for Governor Hogan to visit the site. For when it is complete, the Port will have two 50-foot deep berths available to handle ultra large container ships – vessels carrying over 18,000 TEUs. Dredging is expected to be completed this spring and four additional Neo-Panamax cranes will arrive this summer and will be operational later this year.

Potentially, these berths will put the port in the mix from calls from any of the three major ocean carrier alliances. And it isn't just the 50-foot berths.

The added capacity from the second-deep berth and the potential it holds for more big ship calls emphasizes the need for the Howard Street Tunnel project in Baltimore, which will expand the 126-year-old tunnel to accommodate double-stacked rail cars moving cargo to and from the Port. The tunnel project is also benefitting from a public-private investment between the federal government, Maryland, CSX and others. Pending completion of a public comment period through March 30 and final National Environmental Policy Act approval, CSX will complete final engineering and permitting, with construction expected late this year

"A second-deep berth at the Port, together with the expansion of the Howard Street Tunnel, will increase business, generate thousands of jobs in the Baltimore region and solidify the Port of Baltimore as a critical hub for commerce up and down the East Coast," said Governor Hogan. Adding, "The fact that the Port is already rebounding in a huge way from the economic impacts of COVID-19 is a credit to its workforce and the Port's reputation in the industry. Having a second-deep berth here will lift our capacity and our potential to another level."

Seagirt Marine Terminal, [which is operated by Ports America Chesapeake under a 50-year public-private partnership (P3) with the Maryland Department of Transportation Maryland Port Administration (MDOT MPA) signed in 2010] is the Port of Baltimore's main container facility and has been resilient during the pandemic. In fact, overall the Port of Baltimore's numbers through February are strong. Two categories achieved year-over-year gains compared to pre-pandemic numbers in February 2020, with containers up 2.8% and general cargo up 6.2%.

When compared to low points last May and June due to COVID-19 impacts, the February numbers for autos/light trucks were even more significant. The cars and light trucks category saw 30,183 units in February, an increase of 72.8% over a low point in May 2020. Containers, with 48,521 boxes, were up 2.3% against its low point in June, and the general cargo category, which includes all main public terminal commodities – autos/light trucks, containers, forest products and roll on/roll off farm and construction equipment – was up 10.9%.

The Port's rolled paper business also got a lift in February with the arrival of the first ship under a contract signed last year with major international paper producer Metsa Group of Finland and Logistec Corporation. February rolled paper, with 70,720 tons, was up 102.4% year-over-year from February 2020. The Metsa contract will generate hundreds of jobs and increase its footprint at the Port, utilizing warehousing structures that have been underused or vacant for years. Metsa is bringing more than 370,000 tons of rolled paper to Maryland, used to produce materials such as corrugated cardboard boxes and other e-commerce packaging.

The Port of Baltimore also gained new business and expanded its business from existing customers. The Port's recent volume includes 17 "ad hoc" ship calls from mid-July 2020 through mid-March 2021.

(*SURGE – continued from page 6*)
develop curricula on supply chains, logistics, and maritime port operations. "We're trying to get young people excited at their early ages," said Rooney. "Particularly in out host communities, which are largely disadvantaged, we want to show them that there are plenty of opportunities for long-term careers other than enlisting in the military or working in retail."

There is one caveat, however, lurking in this port success story. According to Rooney, shippers are currently both restocking and stockpiling inventory "for just in case." The implication? Rooney explained: "There's not a lot of confidence that COVID is over and that there is not going to be another global shutdown."

(*BEST – continued from page 13*)
export containers generally "weigh out" as they are full of scrap or other heavy low value commodities.

This disproportion of inbound to outbound isn't unique to Boston – the West Coast has the same issue – but it is a conundrum for ocean carriers trying to balance both revenue potential and boxes. They need exports to fill containers for the return – a repositioning of the boxes but to areas with high value export freight. The inherent advantage that Boston has is the regional market's robust demand for high value goods and the relatively small geographical size of the consuming region means empties remain close to exit points. Finally, the location also favors less congestion and velocity to and from regional markets.

The Port has been very successful in improving efficiencies as gantry crane container moves per hour (gmph) average 28 gmph and are rising while truck turns are largely under 30 minutes. *(see chart on page 8)* Remarkably, during the pandemic the ILA didn't suffer any loss of labor due to the COVID-19 outbreak.

So, will the ocean carriers increase the size of their ships and push the Port over the 400,000 barrier? With the infrastructure and commercial moves Massport has made over the past decade, it is hard to see it not happening.

# Latin American exports of fruits prove resilient

***Latin America's exports of fruits have been tested by two seasons under the cloud of the COVID-19 pandemic.***

By Matt Miller, AJOT


During Lunar New Year, Chinese families love to give — and receive — gifts of fresh cherries. That's been a huge bonanza for Chile. Demand has proved so high that more than 90% of Chilean cherries produced are now exported to China, an almost $2 billion market that has multiplied severalfold over the past decade. The first batches each year command such premium prices that they are airfreighted from Santiago to Shanghai and Guangzhou to insure earliest delivery of the prized produce.

That trade has been sorely tested by two seasons of being under a pandemic cloud. First, in late January 2020, China abruptly shut down its ports just as the last boatloads of cherries were arriving. This caused a two-week chokehold on delivery and subsequent fall in prices once the cherries reached land. In addition, the Chinese ports closure triggered a cascading shortage of reefer containers throughout Latin America, which took weeks to recover.

Then, in late January this year, a false rumor spread on Chinese social media that a box of imported cherries in Jiangsu province, near Shanghai, was contaminated with traces of Covid-19 through packaging. This triggered an immediate, although brief, plunge in the wholesale and retail price of cherries in China. (One Shanghai-based Chilean marketing executive called it a "bucket of cold water," according to the media site Diálogo Chino.)

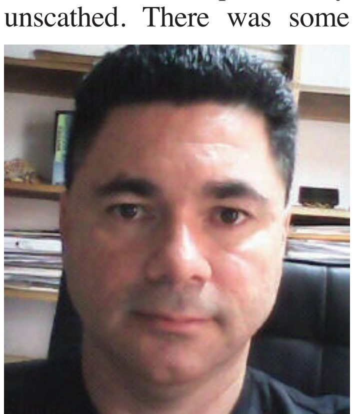
Chilean producers and officials immediately launched a million-dollar marketing and PR blitz, and were able to successfully counter the rumors, which generated more than 400 million page views and 25,000 articles, according to Gonzalo Salinas, a partner and market analyst at iQonsulting, a Santiago-based consultancy that specializes in agriculture.

The Chilean cherry business didn't escape wholly unscathed. There was some spoilage in the aftermath of the port shutdown and those cherries that did make it, delayed to market, fetched less money, especially since there was a lockdown at the time. IQonsulting estimated Chile could have lost as much as $200 million due to this initial fallout of the pandemic.

Probably less severe, but still noteworthy, was the impact of the rumors of tainted cherries.

This past season, which extended from October through March, total cherry production

(***RESILIENT*** *– continued on page 17)*



Gonzalo Salinas, iQonsulting

(*RESILIENT* – *continued from page 16)*
increased a whopping 54% in volume, according to statistics culled by iQonsulting, which has just released its annual survey of the cherry trade in South America. Final dollar figures aren't yet available, but as of the end of February, FOB totals stood at $1.85 billion, already a $300 million increase over 2019-2020 turnover, which itself was about $250 million more than 2018-2019. (Turnover has increased three times over the past five years.)

"From the field to the packinghouse to the port and then to the final destination, in a year of the pandemic, with lockdowns and all the menace from COVID, I think it's absolutely remarkable," said Salinas. "I'm impressed, but also pleased at how it all went, having to bear a 54% increase in the production."

### Fruit Exports Response

The minimal damage from both crises and the aggressive response to them have been mirrored across the region in its handling of fresh produce exports, which in Latin America outside of Mexico are largely fruits, during the pandemic. This demonstrates just how vital fruits have become as an export center, not just to Chile, but for several other countries across Latin America.

That importance is matched by a steadily growing trade and operations competence. Local producers, shippers, the ports and logistics specialists all responded admirably to COVID-19 related stresses because they have the necessary experience to weather such stresses.

"This is professional commercial agriculture operating at a very high level, and at that level, you can see the efficiency and the strong business-oriented approach to the agriculture kicking in with this crisis," said Penny Bamber, an international trade specialist with a focus on global value chains. She is based in Santiago, Chile. "These are very sophisticated companies."

It may have been a rocky start, but most fruit export operations recovered quickly, many in a matter of a few weeks. Just as America's food supply chain held strong throughout the pandemic, so, too, did this export trade.

"It was a short-lived shock on this side of the world," said Bamber. "They were much less affected than other producing regions in the world."

There are several reasons why: Many of the exporters are vertically integrated and own the farms and packing plants as well. They have strong commercial networks that are highly diversified geographically. Their personnel are experienced. Their operations, and those of their logistics partners, are sophisticated, with state-of-the art cold-chain and packaging technology developed over the past two decades. And, Bamber added, "they have a good product to start with."

The governments will pull out the stops to support these industries because they are so critical to economic wellbeing. Chile, for example, treats this agriculture as an essential industry. The authorities moved quickly to digital certification.

### Fresh Fruits Big Business

Fresh fruit exports have become big business for many Latin American countries. These increasingly extend beyond the traditional tropical plantation crops of bananas and pineapples, which are still considered commodities, with extremely low margins and bulk carrier shipping. Value-added fruits such as cherries and blueberries are gaining acreage at a rapid clip. For example, some Chilean analysts believe the acreage devoted to cherries in Chile will increase by about a third in the next several years, with an emphasis on premium varieties.

Chile dominates the Latin American region in fruit production of cherries, blueberries and grapes.

"The planting rate [of new cherry trees] is very, very fast, and the number of plants sold every year is massive," said Salinas.

Even traditionally less value-added fruits such as table grapes are moving up the value chain, with an emphasis on pricier varieties. "We have been seeing this shift towards quality, not only in fruit species, but also in varieties," said Salinas. "We have seen this shift in blueberries and sweet cherries, the most representative examples of high-value fruits, but also in the most common ones, which are table grapes, apples and also kiwifruit."

Quality control, from picking and processing to packing and climate-controlled transport, becomes much more important.

According to a UN study in 2018, Latin American fruits and vegetables exports tipped $30 billion in 2017. Mexico still heads the field, with about half the total, but the rest of the region is coming on strong, and, in some crops, like cherries, blueberries and

*(RESILIENT – continued on page 18)*

# World is facing a coffee deficit in supply chain 'nightmare'

Coffee supplies in the U.S. are shrinking and wholesale prices are surging, with the hard-hit market bracing for further fallout from a global shortage of shipping containers that's upended the food trade.

Coffee stockpiles have sunk to a six-year low in the U.S. even with Brazil's record crop, and a large drop in output after a drought in the South American country is expected to shift the world balance to a deficit in coming months just as demand rebounds."Everybody is feeling the pinch," said Christian Wolthers, the president of Wolthers Douque, an importer in Fort Lauderdale, Florida, who estimates that shipping costs have more than doubled from Latin America. "These bottlenecks are turning into a container nightmare."

While cargo-market disruptions have played havoc the global food trade generally, the problems in the coffee market show food inflation already on the rise could be exacerbated as economies reopen. For now, roasters are able to draw on inventories rather than raise prices, but with stockpiles sliding and a smaller Brazilian crop coming, the strains are expected to persist.

Arabica-coffee futures in New York have risen about 24% since the end of October following the damage to Brazilian groves. In February, American green, unroasted bean inventory slid 8.3% from a year earlier to the smallest since 2015, industry data showed.

The lower inventories mean less of a buffer to cushion the expected decline in Brazil's crop, aggravating market tightness and lending continued support to prices, analysts say.

Marex Spectron this month increased its estimate for a global coffee deficit to 10.7 million bags in 2021-22, compared with its previous projection of 8 million bags, citing lower Brazilian arabica output after adverse weather damaged crops. Goldman Sachs Group Inc. said in a report that if production in Central America doesn't improve in coming years, the market will enter a structural deficit given the rebound in demand.

In the facilities of Dinamo, one of Brazil's largest coffee warehouses operators, there's a lot of product stuck waiting for containers. In the company's unit in Machado municipality, in the coffee heartland of Minas Gerais, beans are awaiting the arrival of 18 empty containers, said Luiz Alberto Azevedo Levy Jr., a director at Dinamo. "These containers will probably take about 15 more days to get here amid bottlenecks at the port," he said.

The situation, which got even more dire in March, will probably reduce the volume of coffee exported by Brazil, Levy Jr. said.

"Logistics have been a headache, dealing with lack of space and containers," said Marco Figueiredo, trader and partner at the Florida-based Ally Coffee, a specialty coffee merchant that imports beans from countries including Colombia, Guatemala, and Brazil. "We are monitoring the situation and talking to clients, making them aware of the rising costs."

Denmark's A.P. Moller-Maersk A/S said containers and charter vessels are temporarily unavailable for purchase or lease, increasing congestion and bringing delays at ports. The company has tried to purchase or rent all available containers, and is keeping aging units in operation. It's also repairing ones that it usually wouldn't at higher costs, Maersk said in an e-mailed response to questions from Bloomberg.

"This is a temporary situation, both in terms of purchasing patterns and availability of vessels," the company said. "We expect things to return to normal during the first half of 2021."

For now, many merchants are trying to hold the line on price increases as they work to lure customers back to cafes and restaurants. There's steady growth in coffee, though the out-of-home segment could take two to three years to return to pre-Covid levels, according to David Rennie, head of Nestle SA's coffee brands.

*(**RESILIENT** – continued from page 17)*

grapes, dominates. Approximately 86% of EU pineapple imports are sourced from Costa Rica, for example, and some 70% of EU banana imports from Ecuador, Colombia and Costa Rica combined.

Latin America has developed into the world's fruit bowl, growing and exporting both tropical and temperate varieties. With growing seasons that often counter those in the Northern Hemisphere, they insure year-round supply. In terms of fruit exports, Chile leads the pack outside Mexico, with annual revenues now at about $7 billion. Fresh fruit ranks as Chile's second largest export category, as it does in Peru and Costa Rica.

Destinations are increasingly diversified, and span the globe from the US to Europe to China. Exporters responded to COVID-related uncertainties with some quick adjustments, including the temporary diversion of produce in transit. While waiting for ports to clear or containers to reappear, because they could park the fruits in cold-storage warehouses, exporters could delay shipments if necessary, without damaging the goods. Even those already packed into reefer containers were stored safely either at the port in Valparaíso or at processing centers.

### COVID Spurs New Initiatives

Covid has also spurred new initiatives. "We have to have active minds," said Luis Oscar Muñoz, the president of the Costa Rican fruit exporting company TropiExports. "Everyone needs to help here and we want to be part of the solution, not part of the problem. We try to find markets for good production, for quality."

Muñoz cited two new ventures. His company is negotiating to export Peruvian avocado pulp to China. And, he's helping a partner in Costa Rica with new technology that, he says, enables fruit to be frozen without losing the taste and integrity that is the curse of frozen fruit today. "When we first met them, they were only thinking locally. Now, they're thinking internationally."

*(**RESILIENT** – continued on page 23)*

# Intermodal & Logistics News

## CP Rail's CEO makes the $25 billion deal his mentor wouldn't

Canadian Pacific Railways Ltd.'s Keith Creel for years followed in the footsteps of his mentor, Hunter Harrison, an industry legend whose revolutionary efficiency strategy became the standard at all the major North American railroads.

Now, the protege has a good shot at achieving a major merger—something that Harrison, who died in late 2017 at age 73 during a turnaround effort at CSX Corp., couldn't after several failed tries.

Canadian Pacific has agreed to buy Kansas City Southern for $25 billion, creating the first railroad to traverse Canada, the U.S. and Mexico. If Creel, the Canadian railroad's 52-year-old chief executive officer, can complete the deal next year as he envisions, it may very well be the last chapter in a rail merger saga that was kicked off by deregulation in 1980s and was credited with saving a dying industry.

"This is the only merger left that could potentially be a stabilizing one and not a destabilizing one," said Tony Hatch, a rail industry consultant. "This is one that takes Kansas City Southern out of play and combines the two smallest railroads."

The timing follows a global pandemic that made companies rethink the risk of having overseas supply lines. The supply chain was frozen by China's initial lockdown last year to control the coronavirus, and the subsequent re-opening has created a maritime logjam at U.S. ports. A cloud over trade was lifted in July with a renegotiated trade pact among Canada, the U.S. and Mexico, while President Joe Biden is seen as less likely to issue trade threats by Twitter than predecessor Donald Trump.

"The stars have aligned to make this deal happen," Creel, an Alabaman who followed Harrison to three companies, told analysts on a recent call.

### The Next Spike

Railroads are central to the history of North America's industrial development, and industry lore is almost always told from the East looking West: A "Golden Spike" united the first transcontinental railroad in the U.S. in 1869; the "Last Spike" did the same in Canada in 1885.

Some 150 years later, Creel is writing a North-South story.

The tie-up would create a 20,000-mile, T-shaped network, giving Canadian Pacific access to Kansas City Southern's sprawling Midwestern rail systm that connects farms in Kansas and Missouri to ports along the Gulf of Mexico. The network would also let CP reach deep into Mexico, which made up almost half of Kansas City Southern's revenue last year, and benefit from the 16 different automotive factories along its tracks there.

Keith Creel, CEO of CP Railways

Under terms of the deal—the biggest Canadian purchase of a U.S. asset since 2016—Kansas City Southern investors will

*(DEAL – continued on page 23)*

## Blockbuster CP-KCS rail merger faces lengthy regulatory journey

Canadian Pacific Railway agreement to buy Kansas City Southern faces a long journey to win regulatory approval from a powerful federal agency that has managed to discourage consolidation in the industry with time-consuming reviews and stringent merger rules.

While the Justice Department or Federal Trade Commission review mergers in other industries, railroad combinations must clear the five-person U.S. Surface Transportation Board.

"They have total authority over making the decision over whether this goes forward," said Deb Miller, who served as a member of the board until 2018. "I think this will get a very long and hard look from the board."

While Canadian Pacific said in a statement it expected board approval for the $25 billion deal sometime in 2022, it's a process that could take years instead of months, said Miller, who currently serves as director of the University of Kansas' Public Management Center.

A potential merger the board considered between Norfolk Southern Corp. and Canadian Pacific was withdrawn in 2016 amid concern from other railroads and shippers, Miller said.

Miller predicted this deal would have better luck. Kansas City Southern is one of the smallest Class I railroads, which is defined by the board as rail lines with a 2019 revenue of at least $504 million. In the U.S. and it operates from north to south, diminishing concerns about displacing competitors' east-to-west service, Miller said.

"Unlike some other potential mergers where you think 'that is never going to happen,' I think this one will be given very serious consideration," Miller said.

Michael Booth, a spokesman for the board, said there is no set time for completion of the review but filings for the merger had not yet been submitted.

"Each case has its own complexities," Booth said. "It runs a lot like a court case. The railroads have to put in a filing for the purchase and we'll have to review that. People will probably have a ton to say, and we'll have to review that. There will be several public comment periods."

The board is the successor to the Interstate Commerce Commission, which was disbanded by Congress in 1995. It is empowered to protect service reliability and settle disputes between shippers and railroads. Board members are Senate-confirmed and serve five-year terms. The panel is currently made up of three Republicans and two Democrats.

"It's not going to be quick," said Larry Mann, a rail safety expert with the law firm Alper & Mann.

Canadian Pacific announced the deal to buy Kansas City Southern, creating the first railroad to traverse Canada,

*(JOURNEY – continued on page 23)*

## A (virtual) test ride in a Waymo long-haul truck

In Phoenix recently, a baby blue Peterbilt truck pulled onto a westbound lane of Interstate 10 southeast of the city. At the wheel was an "autonomous specialist," as Alphabet Inc.'s self-driving vehicle unit Waymo calls him, named Dave. A few seconds after merging onto the interstate, Dave released his grip on the wheel and let the truck begin driving itself. With the pandemic limiting in-person reporting, Waymo offered its first long-haul trucking demonstration for journalists virtually.

"I'm definitely looking forward to the time when we can do this in person again," said Pablo Abad, product manager for Waymo's trucking division Via. Together with planning and behavior engineering lead Brad Neuman, Abad narrated as the robot driver hauled a trailer for about 15 miles along I-10 and Route 202.

Since 2010, when John Markoff of the New York Times first rode in one of Google's self-driving cars—years before the name changed to Waymo—the journalist demo has become a ritual in the industry. I did one two years ago, in one of Waymo's Chrysler Pacifica minivans in Chandler, Arizona. They are fun, but of limited value. A demo can verify that a technology is not vaporware, that there is a car somewhere with a steering wheel that moves on its own. And it provides a chance to assess performance: Can the car change lanes in traffic or make an unprotected left? Is it smooth or jerky? There is also a subjective element: Does the ride feel terrifying or routine? (For a good example of the former, read Ashlee Vance's 2015 ride with George Hotz, who declared mid-ride, "Dude, the first time it worked was this morning.") But these accounts don't add up to data, and the gap between ready-for-a-demo and ready-for-commercial-use is wide. In Waymo's case, a decade passed between Markoff's first ride and the launch of a fully driverless ride-hailing service last year.

So what can be gleaned from a virtual self-driving truck demo?

Traffic was light and the weather sunny. In the passenger seat next to Dave, across a plexiglass barrier, sat another specialist, Drew, with a laptop open. Both wore face masks. Dave kept both hands within a couple inches of the steering wheel at all times.

Cars and truck on the road around were framed in green and purple boxes on the data visualization system that was on screen along with a camera view of the road ahead and a live shot of the inside of the cab.

The truck seemed to handle lane changes and merges smoothly. Cars frequently whipped past on both sides. At one point, the truck switched to the middle lane after detecting a vehicle stopped on the shoulder ahead.

When it came time to change direction on the 202, which required getting off the freeway and making two left turns on surface streets, Dave took control back from the autonomous system. "We're not currently driving autonomously on surface streets," said Abad.

Waymo has been testing heavy duty trucks since 2017 and currently has them on roads in Arizona, California, New Mexico and Texas. The company, when asked by email, declined to disclose how many trucks are in its testing fleet or how many miles they have covered to date. Last year, Waymo signed an agreement with Daimler AG's trucking division to begin equipping Freightliner Cascadia trucks with its fifth-generation autonomous driving system. Today's demo used a Peterbilt truck equipped with the fourth-generation Waymo Driver, a system that includes more than a dozen cameras, radar and three different types of light detection and ranging, or lidar sensors, including a long-range variety that can detect objects up to three football fields away.

Waymo has not set a target publicly for when a commercial product will be ready. "We're looking at driving out within the next few years or so," said Abad, during a videoconference after the demo. The rollout, he added, would be gradual, as it has been for the ride-hailing service, and would begin in the southwestern states: "Autonomous trucking is not going to be like a light switch that suddenly flips and all of a sudden now we have autonomous trucks on the road where previously we didn't the day before." The company, he said, was still considering its best paths to market and was open to using a depot-to-depot system, where local drivers take over at freeway off-ramps to handle the last miles on surface streets.

While highways offer "a more structured environment," as Neuman called it, than city streets, trucking comes with its own peculiar challenges. Stopping 80,000 pounds of freight when something goes wrong at 65 miles per hour, for instance, is not a problem that ride-hail vehicles have to handle. The company's trucks, said Neuman, are designed to have different responses depending on the situation, including pulling over onto the shoulder or continuing to the next exit at reduced speed.


The baby blue Peterbilt truck used for Waymo's automonous test ride.


# FMC orders 10 ocean carriers and 17 marine terminals to report on demurrage and detention practices

By Stas Margonanis, AJOT

In response to complaints by U.S. exporters and Democratic and Republican Congressional representatives, the U.S. Federal Maritime Commission (FMC) announced that it was ordering 10 ocean carriers and 17 marine terminals to report on demurrage and detention practices and penalties assessed on shippers as well as the availability of empty containers for U.S. exporters to ship their goods.

A March 17th letter addressed to the Congressional representatives and signed by FMC Chair Michael A. Khouri and four FMC Commissioners announced that: "Last week, Commissioner Dye ordered ten (sic) Vessel-Operating Common Carriers and 17 Marine Terminal Operators to provide a compulsory report on their practices related to demurrage and detention, empty container return, and the availability of containers for the carriage of U.S. exports. The responses to this compulsory order will inform Commissioner Dye's next steps to address this critical issue. The Commission will take action against practices that violate the law."

The letter went on to say: "The ability of American companies to reach overseas markets is an important issue. One of the statutorily established purposes of the Federal Maritime Commission is to "promote the growth and development of United States exports through competitive and efficient ocean transportation and by placing a greater reliance on the marketplace." We are mindful of this direction in discharging our regulatory responsibilities."

On March 25th, Peter Friedmann, executive director of the Agriculture Transportation Coalition welcomed the FMC's action: "Our members, the nation's agriculture and forest products exporters and importers, are encouraged by the response to the Committee's timely directive, namely that the Commission is united behind Commissioner Dye's initiative, as it has the potential to significantly reduce unreasonable demurrage and detention charges. But the export transport crisis continues, with lost sales and other additional costs amounting to millions of dollars a week. Solutions are urgently required; we are continuing to work with Congress, USDA (U.S. Department of Agriculture) and the FMC to expedite relief."

# House Republicans and Democrats voice concerns to FMC that ocean carriers decline to ship US agriculture exports

By Stas Margonanis, AJOT

On March 9th, a group of Democratic and Republican Congressional representatives led by John Garamendi (D-CA) and Jim Costa (R-CA) announced that they authored a bipartisan letter to Michael A. Khouri, chair of the Federal Maritime Commission (FMC), voicing concern over reports that certain vessel-operating common carriers (VOCCs) are declining to ship agricultural commodity exports from US ports.

Over 100 congressional representatives signed the letter to the FMC including: Garamendi, Costa and Adrian Smith (R-NE), Representatives Rodney Davis (R-IL), Dusty Johnson (R-SD), Troy Nehls (R-TX), Jimmy Panetta (D-CA), and Mike Thompson (D-CA).

"California is a leading exporter of agricultural commodities, totaling over $42 billion in annual receipts," said Representative Jim Costa. "It is critical that we resolve supply chain issues so our producers can quickly ship healthy, nutritious food around the world. Food is a national security issue and we cannot allow for disruptions to this system. This letter sends a strong bipartisan message to quickly investigate and resolve any issues that impact our economy and ability to feed the world."

Representative John Garamendi said: "California's agricultural exporters and other businesses are willing to pay to ensure that American-made products reach markets in the Asia-Pacific. In turn, companies looking to offload foreign-made products at American ports must provide opportunities for American exports. Even during a global pandemic, trade must be mutually beneficial, and I expect the Federal Maritime Commission to resolve these issues and ensure that is the case."

The Agriculture Transportation Coalition (AGTC) has taken a leadership role urging the FMC to take action against ocean carrier practices that hurt U.S. exporters.

American producers, exporters have grappled with widespread delays, bottlenecks, and increasing fees at U.S. ports. These challenges are exacerbated by reports that VOCCs are delivering shipments to U.S. ports and then electing to leave without refilling empty containers with American goods for export. Such activity constricts entire supply chains and propels trade to move only in an inbound direction, House representatives say.

In addition, House members note, in March 2020, the Federal Maritime Commission launched Fact Finding No. 29, "International Ocean Transportation Supply Chain Engagement," to investigate all the congestion, bottlenecks, and fees seen at U.S. ports. In November, Fact Finding No. 29 was expanded to include reports of the decline to ship American exports.

*(CHASING – continued from page 14)*

cargo. According to Brendan Dugan, assistant executive director and director of business development at the South Jersey Port Corporation (SJPC), "Initially, 70 acres will be leased to EEW for monopile manufacturing." In July 2019, EEW signed a memorandum of understanding (MOU) with Ørsted towards establishing the monopile fabrication facility in Paulsboro. The Paulsboro facility, in addition to building monopiles for Ocean Wind, will likely also serve other offshore wind sites around the United States, as specified in the MOU. The monopile facility will represent the largest industrial offshore wind investment in the United States to date, according to the New Jersey governor's office. Construction on the facility will break ground in January 2021, with production beginning in 2023.

The wind energy marshalling port proposed by New Jersey's governor, which will be designed to assemble wind components for transport to offshore sites, will cost between $300 million and $400 million to fully develop, according to government estimates. Construction is planned in two phases, with 55 acres to be developed beginning in mid-2021, while another 150 acres will accommodate marshalling and manufacturing activities beginning in 2026.

# Suez blockage is a signal of what's ahead as ships get bigger

The 200,000-ton cargo ship that was lodged in the Suez Canal last week, bringing 13% of the world's trade to a halt, may be the biggest vessel to get stuck in a major waterway. But if history is any guide, it won't be the last.

Movement of ships between the Red Sea and Mediterranean were halted for 6 days when the container ship *Ever Given* ran aground in the southern part of the Egyptian canal.

The blockage highlights a major risk faced by the shipping industry as more and more ships transit maritime choke points including the Suez, Panama Canal, the Strait of Hormuz and Southeast Asia's Malacca Strait. Such occurrences could become more common as ships get bigger and waterways get more congested.

"I have never seen a container vessel this large grounded so hard in a canal that way," said Lindsay Malen-Habib, president of the American Salvage Association. "This is a first that I can remember."

Still, this latest Suez incident is nothing compared to the eight-year shutdown in 1967.

After the Six-Day War between Israel and its Arab neighbors that year, the Suez Canal was shut down until 1975 while Egyptian and Israeli forces faced off across the waterway. During that period, shippers had to go around Africa, adding time and expense to world trade. The closure also ensnared 15 cargo ships—dubbed the Yellow Fleet—partway through their canal transit, turning a day-long journey into an eight-year ordeal.

The latest closure of this key waterway has halted the transit of about 185 ships, according to Richard Meade, London-based managing editor of Lloyd's List Maritime Intelligence. Yet, as in 1967 and throughout history, there are alternatives.

"The canal hasn't always been there," he said in a phone interview. "Its entirely feasible for shipping to reroute around Africa."

In 2016, two separate incidents occurred where ships ended up blocking the canal. In one case, the shutdown lasted two days. That incident was brief and the stuck ship was half the size of the Ever Given, according to Meade.

Container vessels have nearly doubled in size in the past decade as global trade expanded, making the job of moving such ships much harder when they get stuck. This is particularly the case now as homebound consumers around the world order goods online due to the pandemic, prompting such vessels to carry more and more containers and increased shipping congestion.

The *Ever Given* is among the largest of container ships in the world and was as "full as it can be" when it became stuck, Meade said. "At the moment, all ships are fully laden because there is so much demand."

Other waterways have experienced disruptions. The Panama Canal closed for a day in 1989, when U.S. military forces staged an assault on the Central American country to depose the country's leader Manuel Noriega. Just two years ago, a chemical plant fire in Texas prompted the shutdown of the three-day closure of the Houston Ship Channel in 2019.

# Suez crisis isn't deterring orders for mega container ships

The 200,000-ton cargo ship that blocked one of the world's busiest waterways has done little to deter shipping companies from ordering similarly mega-sized vessels.

Korea Shipbuilding & Offshore Engineering Co. and Samsung Heavy Industries Co.—two of the world's three biggest shipbuilders—announced they'd won orders worth a combined 3.45 trillion won ($3 billion) on Friday to build 25 container vessels that are all longer than the Eiffel Tower. The ships will be delivered by 2025.

Korea Shipbuilding will build five vessels that can each carry 13,200 20-foot containers for Taiwan's Wan Hai Lines Ltd., the Ulsan, South Korea-based company said in an emailed statement Friday. The ships will be delivered starting from the first half of 2023.

Samsung Heavy will build 20 ships that can each carry 15,000 containers, the single biggest shipbuilding contract at 2.81 trillion won, the shipyard said in a separate statement. Those vessels will be handed over to a unnamed customer in Panama by June 2025.

Globally, there are about 180 ships that can each carry more than 15,000 containers, according to Um Kyung-a, an analyst at Shinyoung Securities Co. in Seoul. At least 47 more ultra-large container vessels are expected to be delivered by 2024, according to research firm Drewry.

Orders for mega-big ships have been increasing since this year after the lines saw their profits jump in 2020. Global trade has recovered to pre-pandemic levels as the coronavirus triggered a huge amount of demand for household goods.

# Big ships snag unusual cargoes as dry-bulk market tightens

Shipments of timber and grain are being loaded onto a class of ship normally reserved for other cargo as strong demand to move commodities tightens the global market for dry-bulk vessels.

Logs from Uruguay and grain from Brazil are set to be loaded on so-called Capesize vessels this month or next, according to Platts shipping data. Those raw materials are typically transported on smaller vessels such as Panamax, according to Genco Shipping & Trading Ltd. Chief Executive John Wobensmith.

"It just shows you how tight the overall dry-bulk market is, and it's only going to get tighter," Wobensmith said in a recent interview. Elevated freight rates are "not something that is for the next three months, this has got legs going well in to 2022 because of the low supply situation."

Dry-bulk freight rates have averaged about $18,000 a day so far this year, nearly a 40% jump from the mean in 2020, said Wobensmith. Rates are poised to rise further, helped by strong coal import volumes in India and Vietnam and rising grain and iron ore exports from Brazil, he said.

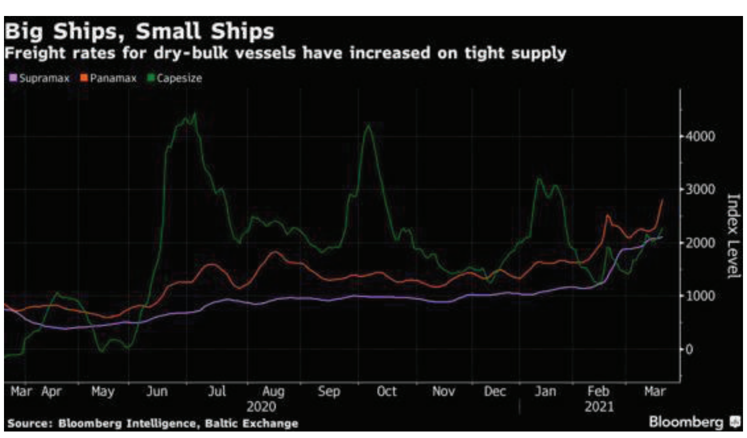
New York-listed Genco owns 41 vessels, according to its website. The firm's shares have more than doubled in the past year.

New orders for bulk ships make up 6.8% of the total fleet's deadweight tonnage, near the lowest in data extending back to 2005, according to IHS Markit data on Bloomberg. There's reluctance to buy new ships because of changing environmental regulations and uncertainty over what will emerge as the dominant clean fuel, said Wobensmith. Genco believes ammonia will be used by the industry in the future, he added.

The supply of dry-bulk ships was already under pressure as Covid-19 restrictions on seafarers and port workers slowed cargo deliveries, according to Gerry Craggs, managing director at Stemcor S.E.A. Pte Ltd. Government stimulus to pump-up Covid-19 ravaged economies is also boosting demand for raw materials, he said.

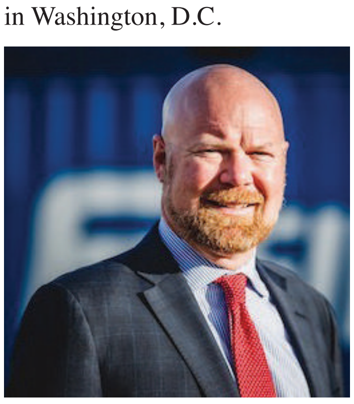
"We're in the phase of fiscal stimuli virtually everywhere in the world," Craggs said in a recent interview. "It's driving up demand for virtually everything, and we're seeing that effect in the steel sector and in commodities sectors."

Dry bulk has started 2021 on a "high note," Bloomberg Intelligence analyst Lee Klaskow said in a report last week. "China and an expected global economic recovery have set up one of the strongest opening quarters for dry-bulk demand in a decade."




# Port of Gulfport names new CEO & Executive Director

The Mississippi State Port Authority (MSPA) Board of Commissioners has named Jon Nass the new CEO and Executive Director of the Port of Gulfport, following a national search led by Tim McNamara, Head of Odgers Berndtson's Transportation and Infrastructure Practice in Washington, D.C.


Jon Nass, new CEO and Executive Director of the Port of Gulfport

"After nearly an eight-month process, the MSPA Commission is very pleased to announce we have selected a new executive director to lead the Port of Gulfport team," said MSPA President E.J. Roberts. "Jon's extensive background includes port management, economic development, homeland security and policy advising, making him an ideal candidate to lead our State Port."

Jon comes from the Maine Port Authority where he helped develop Northern New England's only container terminal and secured tens of millions of dollars in funding for port and rail infrastructure. He also led efforts on a public-private partnership to construct Maine's only publicly available climate-controlled storage, supporting the state's food and beverage industries.

Jon was also the Deputy Commissioner at the Maine Department of Transportation, worked as a senior policy advisor in the State of Maine Governor's Office, and served seven years in the U.S. Congress, most recently as counsel to the U.S. Senate Committee on Homeland Security. Jon previously served on a U.S. Department of State Provincial Reconstruction Team as a field officer embedded in a U.S. Army infantry battalion operating in the city of Baqubah, Iraq.

Jon's tentative start date at the Port of Gulfport is June 1, 2021.

# Massive cargo ships are outrun by nimble fleet in new speed race

For years, container shipping was a rough business. Margins were minuscule, the risks were high and growth prospects bobbed with the unpredictable tides of global trade. That it's now generating record profits is one of the great economic surprises of the pandemic.

The transformation over the past year also debunks a premise expressed loudly by pundits and politicians in recent years that U.S.-China trade, the most vital route of international commerce, was heading inexorably down a path of steady decline. The world wants more from China Inc. today than ever, and — as illustrated by the containers piled high on a ship stuck in the Suez Canal this week — companies in the U.S. and Europe need it faster than before.


Matthew Cox, Matson's CEO

Accelerated by more online shopping, the demand is so strong that customers of ocean freight are increasingly willing to pay up for it, too. At Matson Inc., a Honolulu-based company with a fleet of smaller, nimbler vessels that charge a premium over the rates to transport on much larger ships, the need for a quick Shanghai-to-Los Angeles service became so great that executives decided to add a second weekly run last year and make it a permanent offering.

"I was getting calls at 2 in the morning from customers saying 'Look, you've got to do something, you've got to help me,'" Matthew Cox, Matson's CEO, said in an interview.

Matson's main business is shuttling staple goods to Hawaii and Guam and it ranks outside the top 20 largest container lines. But its stock jumped almost 40% last year and the industry as a whole is healthier than ever, topping more than $200 billion in estimated revenue in 2020. It's conceivable that the largest players including Denmark's A.P. Moller-Maersk A/S and China's Cosco Shipping Holdings Co. ended a tumultuous year with their most profitable quarter to date.

Another $1.9 trillion in U.S. fiscal stimulus may keep the good times going in 2021. Maersk CEO Soren Skou said that "we have to expect that some of that money will be used to buy goods that need to be transported."

Still, running full steam has revealed how temperamental the backbone of the global trading system is when stretched: Crews are overworked, thousands of containers have tumbled overboard in high seas and the vessel blocking Suez threatens wider economic problems if it snarls traffic for more then a few days.

Beyond the setbacks, ocean freight companies have been propelled by a confluence of factors. First, governments from Australia to Belgium kept consumers flush with cash and their financial systems liquid. Then China's factories and American consumers recovered quickly from last year's initial shocks and emerged from three years of supply-and-demand turmoil — a U.S.-China trade war followed by the pandemic — still intertwined.

"China remains the manufacturing floor of the world," Cox said in early March. "There are problems that are real and need to be dealt with, but it doesn't change the fact that China has built a very capable network that in the short run people will find very difficult to replace."

For six decades before Covid-19, U.S. household spending on goods declined proportionately as Americans spent more on services. That trend flipped in 2020, to the tune of a $523 billion increase in merchandise purchases, McKinsey & Co. calculates. "All the freighters and transport assets were more or less sucked up by the strong transpacific trade lane," said Ludwig Hausmann, a partner in McKinsey's Munich office. "China right now is unbeatable."

In Washington and in European capitals, politicians vilified supply chains that extended to state-managed economies like China or Vietnam.

But talk to retailers and manufacturers dependent on Asia and it becomes clear the crisis reinforced those links, serving as a reminder to diversify suppliers and proving eulogies to globalization were premature. Shipping and inventory carrying costs have surged, but not enough to avoid new supply risks ranging from weather and tariffs to disease.

### Trade's Resilience

"Firms have basically decided that they can manage that and still pursue these efficiency gains," said Robert Koopman, chief economist at the Geneva-based World Trade Organization. "That helps explain why trade has been resilient."

Ask Heath Pittman about the crisis and he'll tell you about three months he spent in Chicago ensuring freight kept moving so shelves stayed stocked at Rural King, an Illinois-based chain of about 125 general-merchandise stores in small-town America.

Rural King's international logistics manager used 10 times as many 40-foot-long containers to import lawnmowers from Vietnam in 2020 than the year before. Pittman wasn't going to be caught short in 2021 either, importing nearly triple last year's number of containers of mowers. A consolidation facility in Vietnam will open in June,

*(NIMBLE – continued on page 23)*

# AIR CARGO NEWS


## SEKO Logistics joins the sustainable air freight alliance

SEKO Logistics has joined the Sustainable Air Freight Alliance (SAFA) to accelerate its global decarbonization program and help clients achieve their own sustainability goals.

The Sustainable Air Freight Alliance (SAFA) is a buyer-supplier collaboration between shippers, freight forwarders and airlines to track and reduce carbon dioxide emissions from air freight and promote responsible freight transport. Its reporting airlines are AirBridgeCargo Airlines, American Airlines, Cargolux, Cathay Pacific, Delta Air Lines, LOT Polish Airlines, Lufthansa Cargo, Polar Air Cargo, SAS and United Airlines. SAFA's membership also includes global shippers; h & m hennes & mauritz ab, Hewlett Packard Enterprises, Louis Vuitton, LVMH Moët Hennessy, Mowi ASA, NIKE, Inc., and PUMA SE.

"We have a responsibility to join other global business leaders in this initiative because our industry must do more to protect our planet for future generations," said James Gagne, President & CEO of SEKO Logistics. "This is not a cliché, it's a reality. SAFA is a tangible opportunity for us to contribute to the positive decarbonization work being undertaken by the aviation industry, airlines and companies like SEKO to make a positive difference. Companies which lack a sustainability strategy will see their growth threatened because clients will take their business elsewhere if their partners do not take this seriously. This is a collaborative effort in which we can do more and act faster by working together. Joining SAFA will enable us to help our clients achieve their own sustainability goals too, which is how it should be."

The aviation industry has been proactively stepping up sustainability programs to meet new regulations, helped by advancements in aircraft technologies and greater fuel efficiency, as well as progress in relation to the use of biofuels. The International Civil Aviation Organization (ICAO) has established its Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) to focus on the purchase of credits and lower carbon fuels, while the International Air Transport Association (IATA) is targeting a reduction in net aviation CO emissions of 50% by 2050.

SAFA provides a collaborative platform for sharing and learning sustainability information, best practices, and innovation to help achieve company goals. Airlines report on qualitative data, including carbon efficiency for fleet (average), per trade lane, per flight classification, and per aircraft model. This encapsulates policies and compliance, sustainability governance, greenhouse gas (GHG) footprint disclosure and targets, and alignment with ICAO goals for sustainable fuels offsets.

This carrier-specific data enables shippers and forwarders to more accurately measure carbon footprint, set their own GHG reduction targets and track progress against them.

SEKO Logistics is already a partner in the U.S. Environmental Protection Agency's (EPA) SmartWay program to confirm the company's annual fuel usage and freight emissions data and comply with the EPA's targets to enhance the sustainability of

*(**ALLIANCE** – continued on page 23)*

Four two-year-old animals, weighing around 150 kilograms each, were comfortably located in separate dedicated cages to guarantee their well-being during the flight.

## AirBridgeCargo Airlines guarantees safe delivery of reindeer for Wuppertal Zoo in Germany

AirBridgeCargo, one of the leading all-cargo carriers in the transportation of live animals, has successfully delivered four reindeer from Moscow (Russia) to Frankfurt (Germany).

The transportation has been accomplished in partnership with Astra Brokers for Moscow Zoo, one of the oldest zoos in Europe. Under the regular animals' exchange program the reindeer were safely delivered to Wuppertal Zoo in Germany. Four two-year-old animals, weighing around 150 kilograms each, were comfortably located in separate dedicated cages to guarantee their well-being during the flight.

Peter Novozhenov, Regional Director, Russia and CIS, highlights: 'We have transported deer previously, which has its special aspects the carrier needs to be aware of. The whole journey, which has been organized under IATA LAR and customer's requirements, went smoothly and the animals feel safe and comfortable right now. I would like to thank our local team for their great contribution and teamwork. In 2020 we favored a significant increase in animals' transportation meeting the growing demand from the customers and we will keep on sharpening our expertise in this sector to guarantee high-quality service.'

Amid the pandemic, more customers called on air cargo when it came to animals' transportation to keep the agricultural program going, to support zoo exchange programs and equine sports events. AirBridgeCargo has been developing its dedicated services for animals' transportation worldwide training its personnel, aligning its internal procedures and cooperating with trustworthy and reliable partners.

Cargo included a giant drill shaft, required for upgrading machinery at the final destination to ensure minimal down-time affecting operations.

## Antonov Airlines transports urgent mining equipment from Australia to Brazil

Antonov Airlines has safely moved 370 tons of new machinery parts on three AN-124 flights to a mine in Brazil from Australia in time to keep work at the plant going.

Antonov's loadplanning engineers designed tailored frames to carry two of the pieces of equipment. The cargo was loaded and unloaded using Antonov's in-house engineering solutions for the oversized project cargoes.

The flights, chartered by Chapman Freeborn, made a number of technical stops because of the total weight of the cargo, as well as COVID-19 restrictions for crew rest at the airports on the route.

Rapid COVID-19 tests were conducted during each 14-hour rest window prior to the next leg of the flight being cleared.

Antonov completed the flights to deadline for the new parts to be delivered in time for the mining machinery to be updated so that the plant could continue to run efficiently and safely.

Cargo included a giant drill shaft and a transport cradle, which was required for upgrading machinery at the final destination with minimal down-time affecting operations.

"The timeline was challenging – initially our flight plan was six days in total, however we needed to change this to nine days after assessing the load," said Chapman Freeborn Cargo Broker, Ana Bocchini.

"In the end it came together with some meticulous planning and by changing some legs of the journey to avoid delays and closed runways."

Volodymyr Goncharov, Commercial Executive at Antonov Airlines said; "This was a challenging project, which we had to complete to a tight deadline.

"Using three AN-124 aircraft to airlift these special project cargoes allowed us to perform the program of round-the-world flights successfully.

"The flights were a success thanks to well coordinated efforts and good communication between the teams at Antonov Airlines and Chapman Freeborn."

## ANA to introduce Boeing 777 freighters for flights between Los Angeles and Tokyo

All Nippon Airways (ANA), Japan's largest and 5-Star airline for eight consecutive years, will employ Boeing 777 Freighters (777F) on cargo freighter flights between Los Angeles and Tokyo Narita Airport. ANA opted to use the 777F for these flights for its maximum load capacity at roughly 100 tons, approximately double the capability of the 767F. This increased capacity and aircraft size makes the aircraft appropriate for the transportation of semiconductors, engines and other large goods.

"A number of factors have led to increased demand for cargo flights connecting Japan and North America," said Toshiaki Toyama, Executive Vice President of ANA and President of ANA Cargo Inc. "We are proud to have a fleet of capable aircraft that is able to meet the demand and support global supply chains in operation at this critical time."

ANA is responding to the growing demand for cargo transportation between Asia and North America, such as automobile parts from Japan and perishables from North America. The flight is scheduled to operate on April 23 between Narita and Los Angeles. These goods will be delivered as far as Southeast Asia via Tokyo Narita, demonstrating the advantages of ANA's efficient air freighter network. This is the latest route to welcome the 777F, following its current routes to Shanghai, Chicago, Frankfurt and Bangkok.

During March 2021, ANA plans to operate a total of 2,349 cargo flights, a monthly record high for the airline.

*(RESILIENT – continued from page 18)*

According to Salinas, Chilean cherry exports to countries other than China this past season increased 40% over a year earlier.

Because COVID-related lockdowns didn't happen simultaneously across the globe, and because different fruit is exported at different times of the year, exporters got a breather after China. They were better prepared for the challenges that came from the US and Europe, and better able to cope. That included the quick shift in consumer eating habits, notably the collapse of restaurants and institutional dining and the heightened demands on supermarkets.

Fallout from COVID has helped boost demand for fresh fruits, part of a growing awareness into the need for a healthier diet. It's also reordered priorities. The demand for fresh oranges, for example, has grown dramatically in certain countries such as Japan.

The heads-up from China also gave time for Latin American fruit producers and exporters, often one and the same, to initiate adequate safety measures and protocols for handling and packing before COVID struck the region.

The region's ability to ship fruit safely around the world is a marvel of planning and execution.

Fruit exporters and their logistics partners over the years have devoted time and money into developing packaging and shipping technology that ensures quality and lengthens shelf life. Fruit must be packed to weather a voyage that now takes 22 or 23 days from, say, Valparaíso to Shanghai. That, in itself, is a marked improvement from about five years ago, when ships took 30 to 33 days to make the voyage.

*(DEAL – continued from page 19)*

receive 0.489 of a CP share and $90 in cash for each share they hold, valuing the stock at $275 apiece. That's 23% more than the record close, according to a statement from both companies.

Creel will be CEO of the new company, to be based in Calgary, and plans to stay at the helm until at least early 2026. The new entity, to be called Canadian Pacific Kansas City, or CPKC, will have revenue of about $8.7 billion and almost 20,000 employees. Shareholders of CP will hold 75% of the combined company.

### Regulatory Issues

The companies, whose boards unanimously approved the deal, say they are expecting to get final approval from regulators by mid-2022. In the U.S., it's the Surface Transportation Board that will have the biggest say.

Rail combinations reached a fever pitch in the 1990s, with some causing such chaos that the STB raised the bar for approving deals in 2001. But one small railroad got an exemption from stricter rules—Kansas City Southern.

"We've got complete confidence in this deal and the review process," regardless of which set of rules the STB applies, Creel said. "We think that the facts are so compelling that when the STB rules and weighs the facts, they will come to the same conclusion."

The two networks don't overlap and won't take away customers' rail options, Creel said. The combination also will help reduce emissions by attracting freight from truck to rail, which is about four times more fuel efficient. Some 80% of the production from the Mexican auto plants along the network crosses the border north to the U.S. and Canada and can be hauled in one shot by the new entity, the companies said.

The tie-up would leave Canada with two railroads that have similar coast-to-coast networks that reach down to U.S. Gulf ports. The U.S. would have four railroads balanced almost equally between two larger ones in the West and two smaller ones in the East.

While it's impossible to say never to further industry consolidation, it probably wouldn't happen for a decade or more if it did, said Lee Klaskow, an analyst with Bloomberg Intelligence. That round of consolidation would be more complicated because companies would be jockeying not to miss out of the few deals left to be made. The Canadian Pacific offer to buy Kansas City Southern is much more straightforward, mostly because the two networks don't duplicate track, Klaskow said.

"They interchange in one location," Klaskow said. "It's the easiest deal to get done."

### Mentor and Protege

But railroad deals aren't always easy.

While Hunter Harrison was CEO of Canadian Pacific, he tried to buy CSX Corp. and Norfolk Southern. He declined to pursue a combination with Kansas City Southern at the time because of its large operations in Mexico. Harrison didn't like the currency risk nor the lack of legal and regulatory transparency.

Creel is betting that Harrison was wrong.

"If anybody knows Hunter Harrison and has experience with him, it's me," Creel said in an interview. "He's a human being. He didn't get everything right."

"I would just say that he wasn't seeing these same compelling facts and this perfect time to combine these two companies, or I'm certain that he would align and agree with what we're doing."

*(JOURNEY – continued from page 19)*

the U.S. and Mexico. The combined company would be called Canadian Pacific Kansas City, or CPKC, will have revenue of about $8.7 billion and almost 20,000 employees.

The transaction, if approved, would give the Canadian carrier access to the Missouri-based Kansas City Southern's sprawling Midwestern rail network connecting farms in Kansas to ports along the Gulf of Mexico. It would also give it reach to Mexico, which made up almost half of Kansas City Southern's revenue last year, and create the only network that cuts through all three North American countries.

"This transaction will be transformative for North America," CP President and Chief Executive Officer Keith Creel said.

Previous CP efforts to merge with American rail companies CSX Corp. and Norfolk Southern never made it to regulators. Those deals faced opposition from shippers who raised concerns about competitive balance issues and were scuttled before the surface transportation panel weighed in.

Tony Hatch, a rail industry consultant, said CP and Kansas City Southern are the sixth and seventh biggest of the seven Class I railroad companies. The proposed combination would be a "stabilizing merger" that "takes two of the smallest Class I's, puts them together and gives them a little bit of a bigger seat at the table."

Hatch expects the merger to be approved by regulators.

Jennifer Hedrick, executive director of the National Industrial Transportation League, an association of shippers, said while the organization is "optimistic" about the new deal, "any merger in this industry and on this scale will be viewed with healthy skepticism based on prior history and experience of rail mergers."

In 2000, the Surface Transportation Board imposed a 15 month moratorium on rail mergers to prevent over-consolidation. It then imposed stringent rules designed to maintain competition.

### 'Competitive Harm'

The agency's rules "require applicants to demonstrate that, among other things, a proposed transaction would enhance competition where necessary to offset negative effects of the transaction, such as competitive harm, and to address fully the impact of the transaction on service, including plans for service reliability," according to a June 2001 press release.

CP has explored mergers with American rail companies before, but those mergers faced opposition from shippers who raised concerns about competitive balance issue. The Kansas City Souther tie-up could make Canadian Pacific more competitive with Canada National Railway Co..

Teamsters Rail Conference and Brotherhood of Locomotive Engineers and Trainmen National President Dennis Pierce said the Surface Transportation Board's review will "likely take 12 months or longer, and will require the involved Rail Carriers to negotiate implementing agreements with the affected Rail Unions."

The teamsters intend to participate in those proceedings, and "stand ready to protect the work rights, pay rules and benefits of all BLET members who may be impacted by this proposed merger," Pierce said in a statement.

Wall Street has a largely positive outlook on the deal.

Lee Klaskow, a Bloomberg Intelligence analyst, said the proposed merger has "most of the hallmarks for regulatory approval."

He said the combined company "will remain the smallest Class I railroad and the lack of overlap and the extension of the combined networks will not impede competition."

*(NIMBLE – continued from page 21)*

complementing five already in China, aiming to ensure enough products are always available.

"That's a lot of costs for us and that's a lot of risk," Pittman said. "But the overwhelming positives that we get for our customers, we've determined that is worth more than being overbought."

Demand and supply both were challenges last year for Polaris Inc., the maker of snowmobiles, motorcycles and all-terrain vehicles that had, in two strokes of pre-pandemic serendipity, already started reinforcing its supplier base a few years earlier before rebranding in 2019 to "Think Outside."

Behind nearly 3,600 Polaris dealers is a production network feeding factories in Asia, North America and Europe. Making a single Polaris recreational vehicle involves as many as 2,000 parts, an achievement when about 10% of suppliers at any given time were under some sort of Covid-related duress, said Ken Pucel, executive vice president for global operations and engineering.

The Medina, Minnesota-based company adjusted assembly lines to make products based on what parts were available. It used more artificial intelligence and digital technology. It dispatched an employee to Los Angeles to run an operation usually left to logistics providers — the flow of container imports. "Port congestion is one of our largest supply chain issues today," Pucel said.

Transpacific snarls have also reached Europe, where Düsseldorf-based XSTAFF GmbH, a purchasing network for retailers and wholesalers, chartered its own cargo ship in February to help ensure members could import goods from Asia. Rates for a 40-foot container from China to Europe are hovering around $8,000, nearly quadruple the cost a year ago, and probably will stay above $5,000 at least through June, XSTAFF Chairman Bodo Knop said. "The demand side is much bigger than the supply side," he said.

Such imbalances will eventually level out. While goods trade won't likely to return to its height in globalization's heyday a few decades ago — expanding twice as fast as the world economy — the WTO's Koopman expects a return to the long-term average of 1.4 times global growth.

E-commerce will keep fueling that. "A lot of people for the first time ever experienced the convenience of clicking a button and having a product show up at their door," said Ryan Petersen, founder and CEO of Flexport, a San Francisco-based freight forwarder. "That's an addictive thing."

Petersen reckons better technology will help the shift to more speed and complexity, but doesn't anticipate "big dramatic shifts" in supply chains or production locations.

John McCown, the founder of Blue Alpha Capital, has seen plenty of shipping booms and busts. His mentor was Malcom McLean, the North Carolina trucking executive who pioneered containerization in the 1950s. If a worldwide shock like a pandemic could pick its prey, an industry with high fixed costs like massive ships seemed to be among the slow buffalo. "A real bloodbath is what I was thinking," McCown said.

Instead, container lines stuck together and didn't repeat price wars that wrecked them in the past. McCown now estimates the carriers he tracks, both publicly held and private ones, will show record net income of $8.4 billion in the fourth quarter. Container services are cheap even at today's elevated rates, he says, recounting how McLean was friends with Sam Walton, the founder of Walmart Inc. Both enjoyed quail hunting and one time McLean asked the key to the retailer's success. According to McCown, Walton responded, "We're just better at moving things around."

*(ALLIANCE – continued from page 22)*

global supply chains. SEKO has also introduced home compostable packaging into its eCommerce fulfilment operations to replace single-use plastics, is adopting solar energy solutions at major facilities in Europe and the U.S., and piloting a 'Green Lane' carbon calculator, which it ultimately intends to deploy globally for clients.

Shawn Richard, SEKO's Vice President – Global Air Freight, commented: "We are working on sustainability initiatives in our own operations and facilities globally, but the simple fact is that 75-80% of our carbon footprint is related to our indirect procurement of transportation. As members of SAFA, we will engage more proactively with our partners and be part of a community to advocate for decarbonization. We will access better data from airlines to help manage our carbon calculations.

"Air transport represents around 2% of global carbon dioxide emissions and although improvements in aircraft fuel efficiency will make an important contribution to reducing this, the industry needs transformative change to meet the climate needs of our planet. All around us, we see some outstanding initiatives, such as United Airlines' recent announcement that it intends to be carbon neutral by 2050. This reinforces the very clear and simple message to our industry; sustainability is no longer a 'nice to have' in logistics but a determining factor in who customers and consumers will choose to do business with."

The Sustainable Air Freight Alliance was established by BSR, a team of sustainable business experts that works with a global network of more than 250 member companies.

"We're proud to welcome SEKO Logistics as a new member of BSR, and the Sustainable Air Freight Alliance (SAFA), a collaboration which seeks to track and reduce carbon dioxide emissions from air freight and promote responsible freight transport," said Sarah Mouriño, BSR Director, Transport and Green Freight. "We look forward to working with SEKO on their journey to become a more sustainable company, contributing to our movement to create a more just, sustainable world."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SHIP PHILLY FIRST

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## What's Inside:



Positioned within a two day trucking radius to 60% of the country's population, Philadelphia's Sea and Air Port facilities offer a reliable, efficient, and cost effective alternative for your logistics needs.

Let us show you how to take advantage of our world-class facilities, and the easy, non-congested, access to road, rail, sea and air that has made Philadelphia a strategic international logistics hub.

AJOT Special Feature

# Ship Philly First collaboratively touts Philadelphia's sea and air advantages

*By Paul Scott Abbott, AJOT*

By sea and air, Philadelphia offers an outstanding congestion-free gateway to U.S. Northeast markets and beyond – a message collaboratively delivered by a local business initiative appropriately named Ship Philly First.

As a committee of the World Trade Association of Philadelphia, Ship Philly First coordinates with PhilaPort and Philadelphia International Airport in marketing the unique logistics capabilities of the City of Brotherly Love.

"In some circles, Philadelphia is considered a diamond in the rough," said Lawrence R. "Larry" Antonucci Jr., president of the WTA and chairman of its Ship Philly First committee. "But Philly is a true diamond, capable of handling any commodity as a robustly competitive alternative for movement of cargo in the Northeast."

In his role as president of Philadelphia-headquartered customs brokerage and freight forwarding firm 721 Logistics LLC, Antonucci is intimately familiar with the advantages of the seaport and airport, which both boast qualities that align with the logistics company's own mantra: "Large enough to serve you, small enough to care."

PhilaPort's longtime director of marketing, Sean Mahoney, pointed to the synergistic relationship between Ship Philly First, the seaport and airport, commenting, "We complement each other as we offer an intimate, customized approach backed by a deep roster of service providers, from truckers to terminal operators, warehousers to freight forwarders, fumigators to cargo inspectors."

With more than $1 billion in capital investments over the past decade and additional advances under way, PhilaPort provides the infrastructure and labor productivity necessary to swiftly serve as a favored gateway to two-thirds of the U.S. population, as well as portions of Canada, within two days of transit time by truck and multiple Class I railroads.

Meanwhile, Philadelphia International Airport, after several consecutive years of cargo activity growth, is preparing to significantly expand its present capabilities, in response to dynamic global growth of pharmaceutical business and e-commerce.

"Currently PHL has robust facilities, including cold storage facilities and the second-largest UPS hub, in one of the most competitive regions of the country, offering the infrastructure, speed, security, reliability and close proximity to I-95 needed for any logistics provider to be successful," said Stephanie P. Wear, the airport's director of air service development and cargo services.

To increase market share, PHL has purchased 135 acres of undeveloped property adjacent to existing cargo operations, with plans to build a state-of-the-industry facility to respond to cargo community demands for the next two decades.

"These additional cargo facilities will contribute to the economic development in the Philadelphia region,

*(ADVANTAGES – continued on page 9)*

Fast-growing Philadelphia International Airport offers superior infrastructure, speed, security and reliability in the heart of populous Northeast markets.


At PhilaPort's Piers 78 & 80, coated paper imported from Finland by MetsaBoard is offloaded from a Wagenborg vessel, indicative of the port's significant role in movement of forest products.

# PhilaPort – the other East Coast port

***Investments, Latin American trade and perishables boost Philadelphia to record volumes***

PhilaPort, The Port of Philadelphia, is the fastest growing port on the US East Coast. Despite COVID-19 and a global economic slowdown, the Port grew its container volumes by 7% in 2020.

Located at the center of the US Northeast Corridor – the largest, richest market in the world – its marine terminals provide easy access to customers throughout the US Northeast, Midwest, and Eastern Canada. It is increasingly viewed as a superior gateway for distribution centers in the Lehigh Valley and southern New Jersey.

PhilaPort has not suffered from congestion to the same degree as other US ports. Demurrage fees, equipment shortages, and long gate times are a problem everywhere, but they have not affected Philadelphia's throughput or productivity as much as in some larger ports. The port authority and their partners have invested – and are investing – about $1 billion to maintain quick turn times as the Port experiences historic volumes.

PhilaPort's Marketing Director, Sean Mahoney, enjoys highlighting the recent improvements: "New cranes, new warehouses, improved berths, a deeper channel – these types of investments are expensive, but necessary to compete. Going forward, we are looking at the next round of capital improvement. I cannot see any reason why we shouldn't break 1 million TEUs per annum."

Elsewhere in this issue of the *AJOT*, the Latin America trade section explains the excellent prospects for South and Central America. These two regions happen to be PhilaPort's major trading partners, accounting for over 50% of the Port's total trade. Most people are surprised to learn that Santiago, Chile, is closer to Philadelphia than it is to Los Angeles. Similarly, people don't realize that Brazilian ports have a shorter transit to Philadelphia than to Miami.

Philadelphia has been trading with South America for 200 years, but the connection really blossomed in the 1970s, as Philadelphia area marine terminal operators established connections with Chilean fruit growers. Today, there are three generations of family relationships between the two communities, and Philadelphia quickly became a US logistics hub for Chile, then Brazil, Argentina, and now Peru, also. Today, Costa Rica, Honduras and Guatemala are among the Port's biggest trading partners. Produce, meat, forest products, and minerals are the major cargoes traded.

Mahoney further noted, "We speak the languages – literally. We have a representative in Brazil, and we partner with governments and trade groups throughout Latin America to maintain connections, educate shippers, and solve problems."

PhilaPort's strength in perishable cargoes has been important during the COVID crisis. Cold cargoes arrive from Latin America, as discussed, and many other countries around the world. Last year, $3.8 billion in produce and $5.2 billion in the broader food category (much of it refrigerated) came up the Delaware River.

Why is PhilaPort so strong in reefer cargoes? Years of experience, starting with Latin America, are crucial. Also, the marine terminals are built for perishables. They offer over 2,500 reefer plugs. They contain on-dock refrigerated warehousing. And operations are designed around the need to quickly move these limited shelf-life products.

Finally, many of the supply chain service providers in the Philadelphia region focus on perishables. Freezer and refrigerated warehouse companies, freight forwarders, truckers, fumigators, cargo inspectors, and others know more about cold products than their counterparts typically do at other ports. The communication and trust among these various partners in the supply chain ensure productivity and dependability. "Fruit won't wait" is an old saying in the produce business. And at The Port of Philadelphia, no cargoes will.

# Trends to watch as President Biden announces 2021 trade policy agenda

*John C. Fuller, Esq. – Fox Rothschild LLP*

In March 2021, the Biden Administration released its *2021 Trade Policy Agenda and 2020 Annual Report*. The *Trade Policy Agenda* marks the first comprehensive statement of President Biden's trade policy priorities and provides important signals as to what businesses in the international supply chain can expect in the coming months and years.

### Focus of U.S. Economic Growth

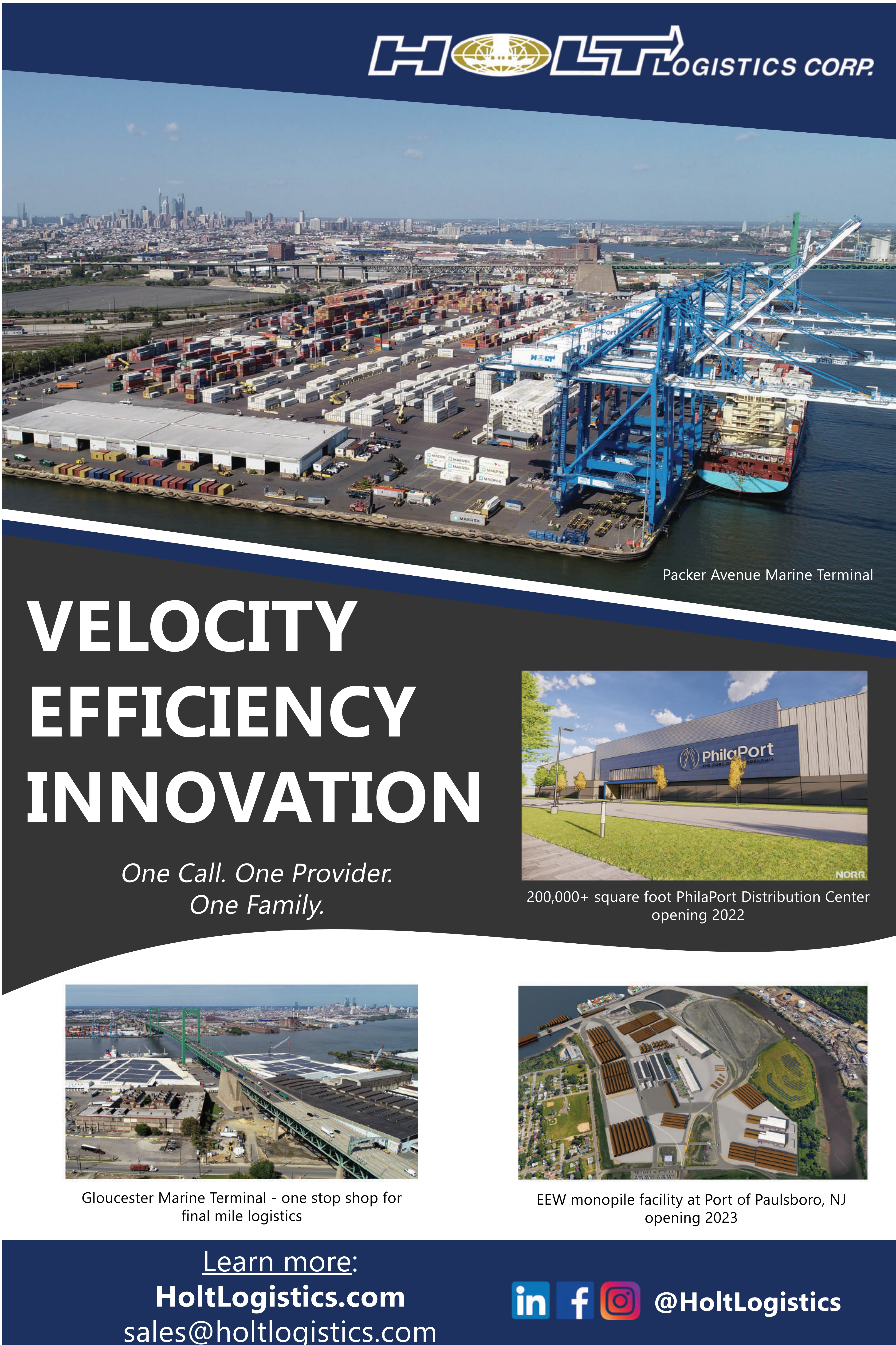
Central to the trade policies outlined by the Biden Administration is rebuilding the U.S. economy through support for infrastructure, manufacturing, and agriculture. In light of the COVID-19 pandemic, the *Trade Policy Agenda* specifically outlines long-term investments to improve domestic production capacity for medial equipment and other products essential for public health. In addition, the *Trade Policy Agenda* sets forth a commitment to "worker centric" trade policies designed to bolster the production of American manufacturing and agricultural products for foreign export while ensuring equitable economic growth through strong labor standards.

President Biden has already taken steps to implement his Administration's commitment to American-made products by issuing Executive Order 14005 just days into his term. EO 14005 enhances the Buy American Act – requiring federal government agencies to purchase American-made products when possible. Among other things, EO 14005 created a Made in America Office to more stringently review requests by agencies to use foreign-made products and makes clear that the Biden Administration is poised to build on recent increases in domestic content thresholds for products qualifying as American made.

### Rebuilding Traditional Trade Partnerships

The *Trade Policy Agenda* announces the Biden Administration's intention to focus on rebuilding trade partnerships with its "friends and allies." The Biden Administration has similarly taken swift action to give effect to these policies by agreeing to temporarily halt retaliatory tariffs with the United Kingdom and European Union. These temporary agreements, entered into days after the release of the *Trade Policy Agenda*, are meant to provide U.S. and European leadership with an opportunity to resolve trade tensions that have emanated from Boeing/Airbus subsidy disputes for years and which were exacerbated

*(**TRENDS** – continued on page 10)*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# PHL – Primed for growth, building for the future

Philadelphia International Airport (PHL) has a thriving cargo division that has shown year-over-year growth for the past four years. In 2020, despite the pandemic and with passenger traffic down 64%, air cargo continued to grow in Philadelphia. The existing dedicated cargo area, called Cargo City, is located on 106 acres in the northwest part of the airport offering the infrastructure, speed, security, reliability and close proximity within a quarter mile to I-95 needed for any logistics provider to be successful.

Cargo City is currently comprised of seven buildings with diversified product capabilities for all air logistics requirements, plus accompanying apron areas, aircraft hardstands, ground marshalling areas and uncongested landside truck access. PHL's current total warehouse space is 659,106 square feet. In addition to these facilities, UPS has a 210-acre facility, making it their second largest hub in the United States. FedEx, the second largest air cargo carrier at PHL, also has a prominent presence in two buildings. American Airlines Cargo selected Philadelphia as the site of its largest cold storage facility, totaling 25,000 square feet. All of these facilities are supported by four active runways, the largest with a length of 12,000 feet and 200 feet in width.

Despite recent growth, PHL leaders are not complacent. Through active dialogue with the logistics community, PHL has prioritized its cargo program and is actively developing plans for major expansion and full digitization of all processes. The mid-Atlantic region where PHL is located, comprising 29% of domestic air exports, is one of the strongest in the United States for high value cargo verticals such as e-commerce, chemicals, pharmaceuticals and electronics. The airport is uniquely positioned to capture a larger percentage of the $53 billion catchment area market as it continues to expand and modernize its existing cargo facilities and implement strategic plans to create a modern cargo village approach on the airport to meet the region's economic objectives, but also to do so in an environmentally sustainable manner.

In order to increase market share, PHL developed an ambitious, phased approach to the expansion of cargo operations at the airport. In its current phase, PHL is focused on improving its efficiency in its existing cargo facilities, attracting new operators and ground handlers as well as becoming one of the first airports in the US to implement an Air Cargo Community System (ACCS). This airport digital community capability will allow for faster cargo processing, improved efficiency and resource utilization as well as reduced truck dwell times and congestion on airport. PHL views cargo buildings as marketing tools for airline clients as well as for regional economic stakeholders. This strategy will also allow the airport to develop data and logistics trade corridors with important partners overseas and locally such as connectivity with the PhilaPort Trade distribution initiatives.

Simultaneously, the airport is developing new facilities to increase its cargo footprint,

(***PRIMED*** *– continued from page 10)*

# One call, one provider, one family, Holt Logistics

Holt Logistics Corp. provides clients with a vertically integrated supply chain to facilitate origin-to-market solutions. We are a family business with nearly a century of experience in stevedoring, vessel operations, warehousing, and ultimately providing comprehensive logistical solutions to customers all over the world. Our operations and investments in the greater Philadelphia region are laying the foundation for future growth and job development in a variety of industries.

In early March, PhilaPort broke ground on the first phase of a modern warehouse in South Philadelphia. Holt Logistics was selected as the operator of this new 200,000+ square-foot, food-grade distribution center, which is planned to open in 2022. This new center will directly support our record-setting growth at the Packer Avenue Marine Terminal (PAMT). A second phase will add an additional 200,000 square feet of refrigerated space in South Philadelphia for reefer growth. This state-of-the-art refrigerated facility will also have potential rail capabilities to better service the demands of export cargo.

We are also fortunate to have proven working relationships with CBP, USDA and APHIS officers who are vital to the collective efforts in keeping the cargo moving safely to our communities. PAMT now has an on-dock inspection site to provide a secure space for officials to review and analyze products, thus expediting cargoes. This further aligns with our commitment to reducing dwell times on the terminal safely and securely.

Holt's next commitment is one to green energy. In partnership with EEW and Ørsted, we are investing $250 million at the Paulsboro Marine Terminal to create a manufacturing hub for 300-foot steel monopiles, which will serve as the base for windmills being erected off the coast of New Jersey. With the completion of this facility, we expect significant expansion in the New Jersey wind logistics industry, including the development of a range of new businesses to support transport and maintenance of finished wind turbines.

In the coming months we will be expanding liner services from Central America and the Caribbean to better support our neighboring countries. This also aligns with final

(***ONE*** *– continued on page 10)*

# TRACS®: A rare gem situated at Delaware River ports

### *Cargo manifesting system the best and last of its kind*

When Customs launched its first electronic manifesting system in 1986, about 14 port authorities linked into the system. Today, that number is down to just one.

Developed and operated by the Maritime Exchange for the Delaware River and Bay on behalf of the tristate port community, TRACS is used by nearly 300 participants to meet electronic manifest filing requirements, check cargo release status, submit stow plans, and fulfill a host of other cargo-related tasks.

"What sets TRACS apart is its 'port authority' status with CBP," said Maritime Exchange President Dennis Rochford. "Unlike other service providers, TRACS offers subscribers the ability to share manifest data and status messages not only for carriers that use the system but for all carriers calling any terminal throughout the port."

This feature allows ocean carriers and their local agents to authorize electronic data transmission to local terminal operators, brokers, importers, and others without the need for those parties to certify on the CBP Automated Commercial Environment (ACE) system or set up unnecessary secondary notify party processes.

Terminal operators are required to check ACE release status before allowing cargo to be moved from their facilities. TRACS provides the same information without the need for terminals to undergo ACE certification, assume programming time and expenses, or install the costly infrastructure necessary to communicate with ACE. Data owners, those who create or upload manifests, can create relationships with their supply chain partners that govern who has access to the information.

System users can query the system on demand or set alerts to receive email notifications of critical status messages, such as do not load, cargo hold, and intensive exam required. "The emails we receive from TRACS let us monitor the status of a manifest in real time without staring at a computer screen around the clock. All of the information available in the bill of lading status and the activity log, coupled with the alerts and the support from Exchange staff, help us better serve our customers," said Ashley Stephens, owner of Braden Logistics

Though TRACS is certified with Customs for the Delaware River port community, many participants use the system to meet filing requirements at ports throughout the U.S. "Being a relatively small but busy company, we love when the databases we use provide us with quick and easy tools to get the job done. Maritime Exchange's TRACS system equips Southport with efficient filing and reporting software in order to submit information to Customs and send our customers reports in a timely matter," said Amy Kugler of Southport Agencies, based in New Orleans.

A key benefit to TRACS users is that the system was developed by maritime professionals for maritime professionals. "When we first set

(*GEM – continued on page 10*)


PhilaPort boasts lack of congestion, high labor productivity and personalized customer service at its central location in the prosperous U.S. Northeast corridor.

(*ADVANTAGES – continued from page 3*)

increasing the amount of high-value commodities both into and out of the area," Wear said. "Collaboration with the WTA and its Ship Philly First committee ensures that Philadelphia remains top-of-mind during the decision-making process, driving business to both the airport and the region."

Philadelphia's propitious geography and incomparable expertise make it a leader in such diverse sectors as perishable fruits, meats and cocoa beans, as well as vehicles, steel, paper, sugar and dairy products, Antonucci noted.

While the multigenerational family-owned businesses and large private corporations making up the SPF committee are often competitors, Antonucci said they are allies in efforts to make the seaport and airport bigger and better and more responsive to customers.

"Some may still see Philadelphia as a niche hub," Antonucci said. "We, however, see it as much more than that and collectively strive each day to attract and ably serve new business while continuing to meet the individual needs of those already taking advantage of all that greater Philadelphia has to offer in the transportation and logistics arena."

(*TRENDS – continued from page 5*)
by further retaliatory tariffs under the Trump Administration.

### New Strategy on China

The *Trade Policy Agenda* is unequivocal in its assertion that China engages in "coercive and unfair trade practices." Nevertheless, the Biden Administration is likely to undertake measures to deescalate trade disputes with China. In contrast to the extraordinary tariffs imposed by the Trump Administration, the Biden Administration is expected to rely on more traditional methods of trade regulation enforcement. In place of punitive tariffs (which still may take months to be reduced), increased Anti-Dumping and Countervailing Duty investigations and enforcement actions are on the horizon.

### Increased Focus on Sustainability and Equity

Finally, the *Trade Policy Agenda* lays out the Biden Administration's pledge to enact trade policies that support environmental sustainability and advance underrepresented communities. The Biden Administration intends to advance these priorities through international climate and equitable growth pacts and domestic regulation designed to limit carbon emissions and further understand the effect of trade policies on communities of color.

### What Does the Trade Policy Agenda Mean for Business?

It can be difficult to forecast when and how high-level policy goals will translate to regulatory changes and market reactions. The Biden Administration; however, has already taken action to advance its promotion of American products and to smooth trade tensions with Europe. In an effort to harmonize the goals of protecting U.S. companies while attempting to increase trade with Europe, ports to could see increased imports of raw materials and semi-finished goods to support U.S. manufacturing that is compliant with increased domestic content thresholds. The *Trade Policy Agenda* also sets forth a clear priority of increasing manufacturing and supply chain capabilities for medical equipment and pharmaceuticals. In addition, the Biden Administration announced commitments to U.S. farmers and promotion of environmental sustainability standards, which could drive growth in agricultural exports. While the Biden Administration's trade policies will take time to unfold, the *Trade Policy Agenda* signals a return to traditional trade partnerships and more balanced approaches to enforcement and trade dispute resolution.

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(*ONE – continued from page 8*)
mile movements through our New Jersey operations. As a one-stop shop, Gloucester Terminals offers endless options for expediting, quality inspections, storage, instafrio and fumigation. Repacking will be the newest service available to compliment direct-to-consumer trucking.

At Holt Logistics, we focus on sustainable growth. Our future endeavors will ease bottlenecks, discover creative final mile solutions, and provide flexibility as new markets develop. Investments in capacity, whether that be intermodal, rail, fumigation, or equipment will boost Holt Logistics ability to reduce turn times and lessen pain points. Speed at which we can gate out from our terminal and/or warehouse is a key benchmark. We have determined that it takes only about 40 minutes for a trucker to gate in, go through terminal to container, finalize documentation, reseal and exit the gate. Our strength is in versatility and velocity, and we know how to deliver both.

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(*GEM – continued from page 9*)
out to create a port community information system, we brought in agents, brokers, and terminal operators to advise us on how the system should operate. The logic we developed in 1988 still powers the system today," Rochford said.

This means that when users have questions or need assistance solving problems, the people standing by to help them are trained in the maritime industry, not at a computer consulting company. TRACS staff understand how ship arrivals, brokers' entries, and bills of lading must all align to ensure timely cargo release. It also means that when CBP systems are not performing the way they should, the Exchange, a nonprofit trade association dedicated to promoting maritime commerce, is prepared to advocate for change.

Since seaports never close, the fact that the Maritime Exchange is staffed 24/7/365 is a huge plus for TRACS participants as well.

TRACS is a part of a larger system, known as Maritime On-Line®, that includes advance ship scheduling and historical activity, crew manifesting and eNOA/D filing, and Automated Identification System real time vessel tracking.


(*PRIMED – continued from page 8*)
operational efficiencies, and throughput. The first phase is what PHL calls its West Cargo development which takes advantage of a recently acquired 136-acre site for the purpose of expanding air cargo capacity on the western side of the airport. Once it is developed, it will provide more than one million square feet in addition to state-of-the art warehouse facilities that will respond to the needs of the cargo community for the next 20 years. A large apron will accommodate adjacent aircraft, with remote parking available for additional aircraft.

Cargo development at PHL beyond the West Cargo Development continues to be a focus area as the airport looks to continue its facility development. Planning is underway for this additional expansion, connecting flight operations with the anticipated locations of new storage and processing facilities. This development will also be multifaceted and include the planning, design and construction of airside improvements, taxiways, parking aprons, and related facility relocations and modifications.

Philadelphia International Airport is poised to become the premier cargo airport on the East Coast within the next few years. When these plans are finalized and implemented, the airport will have unrivaled modern facilities and capabilities that will give operators the speed, efficiency and quality they need to be successful, while at the same time meeting all of the economic and environmental sustainability objectives of regional stakeholders.


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