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## Small shippers hit by 'shocking' freight rates

### Box lines expected to see nearly US\$100bn in profits this year

'CRAZY' ocean freight rates are unfairly impacting smaller shippers, as margins are substantially cut.

New figures from consultancy Drewry show that this year liner profits will approach \$100bn, with average freight rates up 50 per cent. Carriers recorded an EBIT in the first quarter of \$27.1bn – up 1594 per cent from \$1.6bn a year earlier. In fact, the quarter showed higher EBIT than the whole of full year 2020, which was \$25.4bn.

"We are now getting accustomed to seeing triple-digit annual growth rates for spot rates on most lanes," wrote Drewry. "That these instances are no longer shocking is further proof, if needed, that the market truly is crazy right now."

"Average freight rates (spot and contract) across global trades

are expected to rise by around 50 per cent in 2021, an uplift of as much as 30 per cent on our March forecast, indicative of the acceleration in pricing seen already through 1H21."

But those box line profits come with severe consequences for small shippers, according to Lars Jensen, consultant at Vespucci Maritime.

He explained that while major increases in rates were a challenge for everyone, smaller shippers would be disproportionately affected, because the "widening spread in the market has become a critical competitive parameter for

importers – and if the spread persists, this will result in significant shifts of market share and profit within importer business segments".

Jensen said that a shipper moving cargo at the lower end of the spot market would have seen rates increase from US\$2,200/FFE a year ago, to \$5,300 today, while another, unable to secure the lower rates, would have paid \$2,700/FFE a year ago and \$11,200 in today's market.

He used the example of two US shippers, both importing large appliances with a retail value of \$30,000, and both selling them at the lower end of

the market.

"If the importer with the lower freight rates decided to pass on the extra costs to the customer, the retail price would increase to \$33,100. In this case the importer maintains the same port-freight profitability as before."

"But if the importer with the higher freight costs also increases the sales price to the same level, it would still see the margin reduced from \$27,300 to \$21,900 – a 20 per cent decline," said Jensen.

Rates don't seem set to fall significantly this year, although Drewry is forecasting EBIT to drop by about one third in 2022.

"Nonetheless, it would represent another astonishing performance by historical standards," noted the consultant.

**"That these instances are no longer shocking is further proof"**

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We have CANADA covered

# FROM COAST TO COAST

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# Talent-less: staffing challenges

At the beginning of June Amazon officially dropped its drug screening policy for marijuana use for new hires in warehouse and other logistics jobs in the US. The decision may have been impacted by increasingly lenient state laws on the substance, but without question the main driver has been the shortage of workers in these sectors.

Warehouse operators have been struggling to recruit employees.

"It's not only the labour market, but also security for airport access. The security ID badging process can take up to eight weeks. Workers are not going to wait that long; they get a job at a fast-food restaurant," remarked Brandon Fried, executive director of the US Airforwarders Association.

The labour shortage is not limited to blue-collar jobs. Forwarders are also feeling the strain. Fried noted that this has been the most frequently raised issue by members of his organisation recently, bar only the new security regime around the mandate to screen airfreight that goes on freighters.

"There's not enough talent available," confirmed Helmut Berchtold, head of the US arm of logistics recruitment specialist adi Consult.

Both he and Fried observed that the shortage of qualified staff is across the board, from compliance to air and ocean imports and exports.

The pressure to find new recruits is intensified by concerns that existing staff may experience burn-out, Berchtold warned.

"Companies are forced to burn their people out. Business is up, there's lots of freight, but not enough resources, so what do you do? You're not going to turn business away and send your people home at five. People haven't had a vacation in a long time," he said.

Before the pandemic the market was awash with experienced forwarding personnel made redundant by the slow market, or mergers and takeovers, but this pool has dried up in recent months as logistics firms have begun to scramble to bolster their ranks.

Joe Delli Carpini, president of Cargo Tours, had a new recruit lined up, who called the Friday before he was due to start informing him that he had received a better offer. As in the trucking sector, firms are offering higher pay to recruit qualified people.

"You cannot get qualified people unless you pay a super premium. People are picky because they know they have choices," said Berchtold.

Luring recruits with elevated pay is problematic, as it wrecks the pay structure, he pointed out. "If you go down that road,



**BRANDON FRIED**  
Airforwarders Association

you boost the existing pay framework. Your existing staff will be unhappy that newcomers get more pay. Later, when the market is back to normal, you have people that are overpaid. They're not going to accept less. Either you let them go or you charge your customer base," he said.

Alternatively forwarders could recruit people at more junior levels and train them to take on more senior positions. Usually this brings in staff who do not have the full skill set for the position that they are ultimately meant to fill, but with some required strengths already under their belt.

"You don't want to start training from Adam and Eve," commented Berchtold. Fried emphasised the importance of offering recruits training to elevate their qualifications. "Young people will stay if the package includes training and ascension to upper levels. They ask how invested you are in their development and how flexible you are," he remarked.

The disruptions in the market since the outbreak of the pandemic will be reflected in volatility on job seekers' resumes, Berchtold reflected. Some lost their job because of the pandemic and took a position in another industry to pay the bills. Human resources staff have to set aside traditional lenses and look at longer timeframes. If an applicant has been in different jobs during this period, this does not necessarily indicate a job-hopping attitude, he warned.

For their part, job seekers are often



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cognisant of companies' track record in employee severance. "If companies have laid off people, it depends how they did it. If you burned too many people that's known in the marketplace," Berchtold said, adding that he has had cases where applicants declined to pursue an opening when they found out which company this was with.

Cargo Tours has recruited 10 people since the market began to rebound last summer. The forwarder is in expansion mode and recently opened a station in Miami with a 20,000 sq ft facility. Now Carpini is about to take on four experienced people in one go. He is preparing to take over a small forwarder.

"They have an antiquated system, so they can't follow the new compliance requirements. They don't have the back office that they need," he said.

Many forwarders would be happy to find one or two suitable candidates in the current market conditions.

## Turkish takes on Covid

*TURKISH Cargo has now flown more than 100m Covid-19 vaccine doses - or about 450 tonnes - to more than 35 countries.*

*While some carriers have noted that the vaccines' impact on air freight has been far less than expected, Turkish said it is a "lifeline" for countries without vaccine production facilities.*

*Chair of the board M. İlker Ayçi said; "Proving itself with hundreds of vaccine transportation operations to countries all around the world, ranging from China to Brazil, India to Democratic Republic of the Congo, along with operations to our own country, Turkish Cargo showed its reliability."*

*Turkish added that it had increased its global market share to 7.5 per cent in pharmaceutical transport and has become one of the most active carriers in vaccine transportation.*

*The airline has carried seven different Covid vaccines, requiring different cooling solutions, it said. It has bulked up its active and passive container capacity, and has prioritised medical transportation, it added.*

**"Young people will stay if the package includes training and ascension to upper levels"**

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