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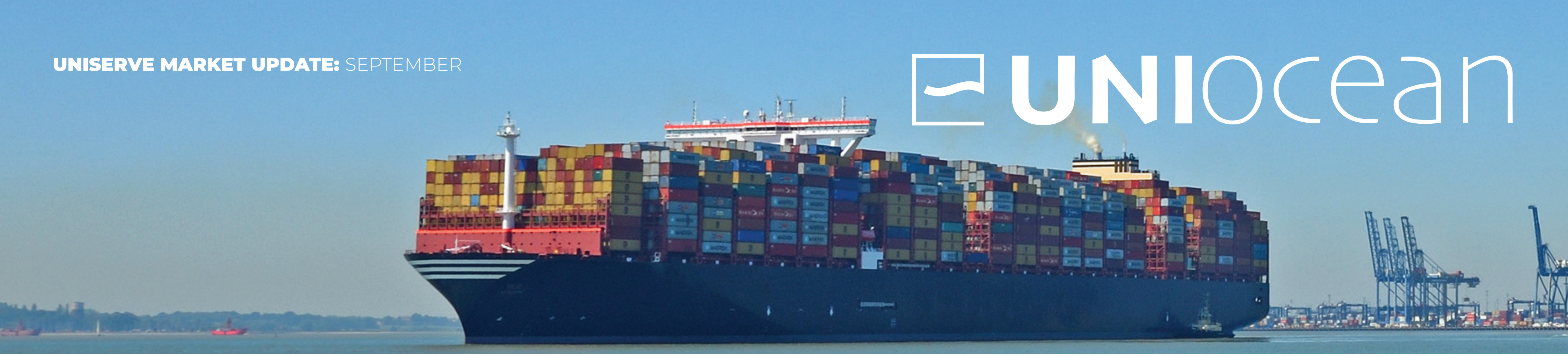
MARKET **UPDATE**

September 2021



OCEAN FREIGHT MARKET OVERVIEW

There's no getting away from continual challenging sea freight market conditions, as it's tough to pick out anywhere in the world currently that isn't suffering from issues with import or export, at origin or at destination.

KEY TOPICS

- On exports out of the UK, carriers cannot generally offer a smooth service, as restrictions on container transport typically offer collection dates weeks ahead of booking. Access to equipment can be obtained, but associated vessel scheduling can at times be erratic, with the displacement of voyage patterns to contend with.
- On imports into the UK, looking at the largest origin area of Asia for our shores, container equipment availability is still patchy. This is creating fulfilment challenges, while vessel space remains at or near capacity levels. Vessel schedule integrity remains a problem for the trade, with voyage availability and transit time extensions becoming commonplace issues.
- For shipments from China, vessel reliability is an issue, with delays at Chinese ports sitting between three to four days against initial advertised departure dates. Previously-reported Covid-19 outbreaks experienced at ports (and on vessels) still linger, painting a picture of continued instability. When considering how origin ports are performing, shipping lines are having to make some decisions that can hit our offering hard. Snap decisions to omit ports in order to recover schedule integrity, with little or no warning, present shippers with a regular problem.

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OCEAN FREIGHT MARKET OVERVIEW (CONTINUED)

KEY TOPICS

- Some carriers in September are suffering heavily from a lack of equipment and this will continue until Chinese New Year 2022.
- Elsewhere, in recent weeks we have tracked huge pressure in movements from Brazil and Bangladesh in particular, some quoting no availability for up to four to six weeks – such is the condition of these trade lanes.
- Vessel operations and schedules are consistently changing with limited notice. Main European ports are experiencing major disruption with vessels calling late, dwelling on the quay for longer than intended, omitting ports completely, vessel cutting and running (leaving port before all containers are discharged), and inconsistent schedule patterns.
- As most will have heard across the airwaves and in print, the driver shortage in the UK is quoted as being 100,000 below the required level, with a huge percentage of this number associated with container transport. With such a strain on driver availability, all operators in the sector continue to struggle with fulfilling UK inland transport requirements. Although this position is tough to operate in, Uniserve fortunately operates a fleet of trucks to handle container transport positioned as a part of our group structure offering, which is an option not open to many competitors. On exports out of the UK, we are seeing carriers provide space on vessels, only for them to declare that they cannot provide the associated UK container haulage to cover the connecting inland transport link, a disaster in this circumstance.
- High prices for commodity freight continues to trend in an elevated bracket, with the current levels set to continue for some time. We currently see no light at the end of the tunnel on trade routes from the Far East and India into Europe. It is also worth noting that these origin points also continue to carry high premiums – not only into Europe but also to the US. The current price bracket looks set to remain in place at least into Q1 2022. It should be expected that prices will remain strong beyond the Chinese New Year, but to what level remains to be seen.

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OCEAN FREIGHT MARKET UPDATE – FAR EAST & SE ASIA

As we are now in the traditional peak season period, demand in September is predicted to maintain a strong momentum, with little or no improvement in equipment availability or schedule reliability.

KEY TOPICS

- Far East and SE Asia rates are again on the rise, with no carriers dreaming about a return to 'normal.' Operational issues are also exacerbated in SE Asia. Thanks to growing vaccination coverage and decreasing pandemic impact, parts of the world are heading towards more regular conditions of business. We have experienced hard lockdowns in SE Asia, and further increased outbreaks of Covid-19 in Vietnam, resulting in sporadic factory closures, along with the accompanying operational issues.
- Last month (August), China saw fresh Covid-19 outbreaks across many locations. Despite China's strong vaccination programme, many lockdowns occurred whilst mass-testing programmes recommenced. This is causing ongoing disruption in an already stressed supply chain.
- As always, our focus remains on securing coverage, equipment and reliable capacity solutions – be that liner, charter, or our own equipment. For time-sensitive goods that need to be moved quickly, our air freight service is another transport alternative that may be able to assist you.

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OCEAN FREIGHT MARKET UPDATE – FAR EAST & SE ASIA (CONTINUED)

KEY TOPICS

- Hapag-Lloyd has entered acquisition and chartering agreements for ten 13,000 teu container vessels that will be supplied in 2022 and 2023. Furthermore, CEO Rolf Habben assessed that the pressure in the overheated global supply chain won't ease until the first quarter of next year at the earliest.
- Hapag-Lloyd anticipates a surge of close to 3 billion USD for its operating result (EBITDA) in the first six months of the year, and this has prompted the container line to upgrade its expectations for the full year 2021.
- Ship officers are in short supply in the global shipping industry, and by 2026, shipping will be short of 90,000 trained officers, warns Bimco and ICS in a new report on employment at sea.
- Port congestion and sky-rocketing freight rates have hit supply chains of iconic toy lines, including Barbie. Freight rates and historic shortage of capacity have had a notable impact on global toy companies Mattel and Hasbro, the manufacturers of Barbie and Peppa Pig. Price increases and new production set-ups are among the responses to the issue. Virtually every global company is experiencing a painful whiplash from the increasing freight rates this year. The entire transport market is marked by an explosion in transport expenses and a significant shortage of capacity. This development is leading companies around the world to accelerate the basic restructuring of their whole production and supply chains.
- A US furniture shipper, MCS Industries, has filed a lawsuit with the Federal Maritime Commission (FMC) against renowned container lines MSC and Cosco, for allegedly manipulating the container market and forcing shippers onto the expensive spot market. It remains to be seen if other companies will follow suit, however Swiss-based family-owned container carrier MSC are thought to be pushing back against the accusations – which it does not recognise – and are considering whether the allegations amount to defamation.

The Far East and SE Asia rates are again on the rise, with no carriers dreaming about a return to 'normal.'

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OCEAN FREIGHT MARKET UPDATE – FAR EAST & SE ASIA (CONTINUED)

KEY TOPICS

- Maersk, the world's biggest container carrier, has upgraded its expectations for the entire fiscal year on the back of the continuous red-hot container market. The carrier expects operating profits (EBITDA) to land somewhere between 18-19.5 billion USD, according to an announcement last month.
- High freight rates in the container market are driving up consumer prices. Record-high freight rates and pressure in the container market are pushing up consumer prices across many sectors.
- At the end of August, the cost of shipping a container from China to has gone up for the 15th consecutive week in a market continuously marked by shortage of capacity and high demand.
- The bottlenecks in major Asian, North American and European container ports are now at record levels, according to a new analysis by Sea-Intelligence.
- New figures show a low rate of vaccinations among seafarers, with a very small number having been vaccinated against Covid-19 thus far, according to figures from the Neptune Declaration initiative.
- Big is beautiful! The generation of megamax vessels with a capacity above 21,000 teu are being replaced by a marginally larger type known as "superjumbo" vessels, writes Alphaliner. Thirty of the colossal vessels are expected to be delivered in 2023.
- News broke late in August that it may prove difficult for the US and many other countries to stock up enough retail goods for the shopping spree that awaits on Black Friday and during the Christmas season. As a consequence of the traffic pressure in the world's largest container ports, 2.7 million twenty-foot containers are currently anchored off some of the world's largest container ports. More specifically, 409 container vessels loaded with a total of 2,732,133 twenty-foot containers (teu) filled with goods for retail and industry are currently waiting in line to unload their cargo, according to a new analysis prepared by VesselsValue for ShippingWatch. The shut down container terminal Meishan in major Chinese port Ningbo has only exacerbated the chaos in global supply chains.
- Dubai-based port major DP World reports growth in the revenue and bottom line during the first →

OCEAN FREIGHT MARKET UPDATE – FAR EAST & SE ASIA (CONTINUED)

KEY TOPICS

half of the year, marked by a bustling freight market. The company maintains positive expectations for the second half despite considerable uncertainties.

- With China's Golden Week approaching (celebrated around 1st October, the National Day of the People's Republic of China), importers are speeding up their production process to ship their products out of China on time.
- News broke in August of the ongoing lockdown stepped up in Ho Chi Minh City, Vietnam. As the country's biggest city turns to drastic measures to slow a spiralling rate of Covid-19 deaths, Vietnam will deploy troops there and prohibit residents from leaving their homes, authorities said. The country's toughest order yet comes amid a spike in fatalities and infections, despite weeks of lockdown measures in the business hub of nine million people – the epicentre of the country's deadliest outbreak. Vietnam has been slow to procure vaccines and until late April had one of the world's best containment records, with 35 deaths and just over 2,900 cases as of 1st May. Figures have since jumped to over 312,000 cases and 7,150 deaths, with about half of the infections and 80% of fatalities in Ho Chi Minh City alone.
- Far East – Europe to UK blank sailings in August on The Alliance (totalling 90,170 TEU's) due to various port congestion and lack of equipment, will have a knock-on effect into September.
- Always room for a small one! We're seeing independent carriers riding on the crest of a wave, with no less than four new players entering the market. There's room for more. We are making full use of these options on our sea freight service portfolio.
- Maersk looks to have been forced – at least temporarily – to abandon punctuality ambitions for container vessels. CEO Søren Skou had recently assured customers that the reliability of the company's fleet would improve significantly later this year. Now the shipping line has to admit that this improvement most likely won't be feasible after all.

High freight rates in the container market are driving up consumer prices.

OCEAN FREIGHT MARKET – INDIAN SUBCONTINENT UPDATE

The current familiar ocean freight theme of space and equipment shortages is playing out in full force across the ISC region.

KEY TOPICS

- Exporters are having a torrid time shipping their product from the Indian Subcontinent, with last-minute space cancellations and rates at an all-time high, making shipping extremely challenging.
- Equipment is short overall in the ISC Market, which is now also restricting the available booking capacity as well. Bookings are put on hold whenever there are equipment shortages in the market. Some carriers are still struggling and at times going into a complete nil situation (unable to make any bookings).
- Major transshipment ports for ISC – Colombo, Salalah, Singapore, Port Kelang – are facing heavy backlogs, berthing delays and inter-terminal trucking). As a result, pendency is around 19,000 TEU at CMB / mother vessel misconnection.
- CFSs and supplier premises – storage space is full due to blank sailings and vessel berthing delays. Transportation options are short in the market due to the delayed vessel arrivals, leading to most shipments standing for long periods outside the port.
- South and East India have a major equipment imbalance. MSC has reorganised their service exporting

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OCEAN FREIGHT – INDIAN SUBCONTINENT UPDATE (CONTINUED)

KEY TOPICS

IPAK to US; IEX (x SEI to Europe). Two blanks out of five possible sailings in August has made space too tight and impacted imported equipment heavily for South India.

- PSA Mumbai welcomes Maersk's upgraded ME2 service. Capacity and equipment of all types are at a deficit, even at larger ocean ports such as Nhava Sheva. Inland Container Depots are seeing the worst of the equipment shortage due to the difficulty of repositioning.
- Maersk has started a rail service from ICD Whitefield in Bangalore to Nhava Sheva, to help improve the connectivity from South to West India.
- EPIC 3, a new service launched in January 2021, continues to blank once every three weeks, creating a backlog and tight capacity.
- Even if demand for container transport normalises to some extent over the course of 2022, it will take months before carriers are able to say the same.
- Carrier profit update: the top 10 carriers (excluding MSC) reported a record average operating margin of 38% for Q1 2021. For five out of the 10 carriers, operating profits in Q1 2021 exceeded their results for the full year 2020. Prior to the advent of Covid-19, the highest average margin reported since 2008 was 16% 2010.
- New vessels and capacity: Evergreen ordered a dozen 24,000 teu vessels back in 2019 and some will touch down this year, eventually boosting the firm's capacity by 18%. There's also word that Taiwanese carrier Wan Hai may re-enter European trades with its smaller vessels to take advantage of attractive rates. Changes are on the horizon, but how significant they will be remain to be seen.

Even if demand for container transport normalises to some extent over the course of 2022, it will take months before carriers are able to say the same.

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AIR FREIGHT MARKET OVERVIEW

Covid-19, quarantines, seafreight replacements and Golden Week looming... it's a busy time in the world of air cargo.

KEY TOPICS

- Over the last few weeks in China there have been several cases of Covid-19 identified in the Shanghai area. A number of cases within the airport at Shanghai itself have resulted in mass testing and tight controls on terminal and ground crews.
- Quarantines have been imposed and parts of the airport operation have been suspended. This has created disruption, resulting in some cancelled scheduled flights and restrictions on landing rights for charter operators.
- With further reductions on already restricted capacity, this is pushing pricing up and forcing carriers and exporters to utilise other major gateways including Zhengzhou, Guangzhou and Xiamen. This restriction on capacity, which was still very limited prior to these cases, comes at a time when high-tech exporters are pushing out new products. Customers are converting delayed sea freight orders to air and the typical year-end peak for retailers is pushing more volume in to the markets.
- Prices are rising again and although we could see them stabilise once the current Covid-19 situation works through, we have Golden Week looming at the start of October. Do expect further cost increases possibly through to Chinese New Year 2022. Like hubs in mainland China, Hong Kong is seeing volume diverted from →

AIR FREIGHT MARKET OVERVIEW (CONTINUED)

KEY TOPICS

Shanghai.

- All the other factors around peak period volumes coupled with reduced capacity remain. These issues are impacting all world markets serviced by China.
- Demand from the Indian Subcontinent remains strong and Bangladesh in particular is seeing very high demand from the retail sector. Certain larger retailers have hoovered up capacity at high pricing, forcing costs up for all as remaining capacity is in short supply.
- Pakistan may have to lock down major cities again due to Covid-19 case levels, with travel limited and passenger flights significantly down.
- Servicing export markets from the UK is variable. Capacity and costs to China have moved against exporters as flights in and out have reduced.
- North American capacity has improved slightly as they welcome back travellers from the UK.
- However, pricing isn't falling yet with carriers still demanding stable yields to justify the service. Capacity to India is reasonable, while Singapore and Australasia remain a challenge.
- Please continue to share your final quarter plans with us so that we can work with you through these difficult times.
- We are delighted that Uniserve has been nominated as an Air Cargo Operator finalist at the 2021 Multimodal Awards. To vote for us, just click the image (thanks!).

AIR FREIGHT MARKET UPDATE – FAR EAST & SE ASIA

Demand in September is currently predicted to strengthen, with challenges in capacity remaining a key issue. The imbalance of market demand and supply continues as air freight is being used to overcome supply chain delays and disruptions.

KEY TOPICS

- Air freight market demand is increasing month-on-month, continuing its strong support of shippers by deploying an increasing number of passenger freighter flights. The forecasted demand for the second half of 2021 remains very high, due to continuous disruptions and mode shift conversion from ocean to air on various trade lanes. We are seeing a marked increase from our clients, who remain frustrated with ongoing challenges with sea and rail freight modes, and are once again turning to air freight as their prime 'problem-solver'.
- Last month, China saw fresh Covid-19 outbreaks across 17 provinces. Despite China's strong vaccination programme, many lockdowns occurred while mass-testing programmes recommenced. China continues to pursue their 'zero Covid-19' policy. This is causing ongoing disruption in an already stressed supply chain. The epidemic prevention and control measures related to flights and airport operations have been fully upgraded.
- The CAAC issued an emergency notice in response to the current severe situation of domestic epidemic prevention and control, as well as the rapid spread of Delta variants and the difficulty of prevention and control.
- Good news for the air freight industry. The latest half-year cargo figures from →

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AIR FREIGHT MARKET UPDATE – FAR EAST & SE ASIA (CONTINUED)

KEY TOPICS

International Air Transport Association (IATA) revealed 8% growth versus the air cargo market performance recorded in the first half of 2019. This marked the strongest first-half performance since 2017 when the industry posted 10.2% year-on-year growth. This emphasises customers' increasing demands for air freight solutions. However, overall capacity in June remained constrained at 10.8% below June 2019, as some of the passenger aircraft remain grounded. Belly capacity in June was down 38.9% against the level seen for the month two years ago, which was partially offset by a 29.7% increase in dedicated freighters.

- Virgin Atlantic Cargo has extended its contract with Hong Kong cargo handler Hactl for a further five years. The airline said the deal meant customers can benefit from Hactl's "3,500 Container Storage System positions, 10,000 Box Storage System positions and a comprehensive range of specialised cargo handling facilities to cater for all cargo types, including temperature-controlled products". The news comes as the company has increased services to Hong Kong to eight rotations per week from July.
- The results of IATA's latest survey of airline CFOs and Heads of Cargo, conducted in July, showed that pressure on airline profitability eased. 72% of surveyed carriers reported smaller losses as the pandemic became better controlled. Significant cost reductions and moderate gains in passenger demand contributed to the improvement this quarter. On the other hand, 28% of the sample reported that Covid-19 continues to have a major impact on their operations.
- Asia-Pacific airlines saw demand for international air cargo increase by 3.8% in June 2021 compared to the same month in 2019. International capacity remained constrained in the region, down 19.8% versus June 2019. Even though demand remains high, the region faces moderate headwinds from the lack of international capacity and manufacturing PMIs that are not as strong as in Europe and the US.
- Fresh outbreaks of the Delta Covid-19 variant in Southeast Asia have crippled its factory sector, disrupting global supplies of goods such as rubber gloves, semiconductors and SUVs →

AIR FREIGHT MARKET UPDATE – FAR EAST & SE ASIA (CONTINUED)

KEY TOPICS

and threatening the $3 trillion region's recovery. The economic disruptions in Southeast Asia caused by the virus have been made worse by slow progress in vaccinations in the region of 600 million people. Governments have struggled to secure doses and have imposed costly lockdowns that have left many factories without workers.

- The setbacks threaten the growth of one of the world's more resilient emerging market blocs, which has withstood various global crises in recent decades thanks to broad robust economic reforms and its proximity to China.
- The use of passenger aircraft in an all-cargo configuration is unlikely to offset rising air cargo demand for the peak season. Writing in the Baltic Exchange monthly market summary, Bruce Chan, Vice President of global logistics at investment bank Stifel said that issues in ocean shipping, high ocean prices and ongoing air cargo demand were putting capacity under pressure. "Ultimately, these conversions are temporary, and will only be deployed in the tightest of markets when rates are beyond a certain threshold, only to be pulled back when those rates decline. Widebody belly capacity is still in the high-teens to low twenties percent range below where it was in 2019, depending on the lane, in our view — and demand is for the most part much higher now than it was in 2019."
- FedEx Express is looking to support further trade in Asia Pacific – and provide air freight capacity for exporters in Southeast Asia – with four new intercontinental flights connecting the trans-Pacific, north Asia, and Europe trade lanes. For exports to Europe, FedEx will operate Boeing 777 flights from Guangzhou to its hub at Charles de Gaulle in Paris twice a week, and from Osaka thrice a week. FedEx said the move to launch new cargo charter flights →

Fresh outbreaks of the Delta Covid-19 variant in Southeast Asia have crippled its factory sector.

AIR FREIGHT MARKET UPDATE – FAR EAST & SE ASIA (CONTINUED)

KEY TOPICS

to US and Europe comes amid growing demand for ecommerce products, with exports in Asia Pacific forecast to rebound 13% year-on-year in 2021. FedEx also indicated it is not expecting a full recovery in air cargo capacity until 2024. The express giant said that trade volumes have surpassed pre-pandemic levels and are on course for the fastest year of growth in over a decade. They also believe that high pricing internationally should continue throughout fiscal year 2022.

- Air cargo prices are this year around six to eight times higher than sea freight, much lower than the 2019 price differential of 11 to 15 times.
- Hong Kong International Airport reported double-digit cargo growth in July on the back of strong imports and exports. Cargo throughput at HKIA in July grew 12.4% to 419,000 tonnes compared to the same month last tear. In June, cargo volume reached 399,000 tonnes, up 11.5% year-on-year. “Transshipments recorded strong growth of 21%. Both imports and exports also experienced double-digit growth. Cargo to and from Southeast Asia experienced the most significant increase during the month,” the airport noted.
- In late August, new Covid-19 quarantine rules for cargo workers at key gateways in China have put air cargo supply chains under pressure. Over the last few weeks, cases in China have begun to pick up as the country contends with the Delta variant of the virus. To contain outbreaks, lockdowns and stricter quarantine measures have been put in place which is having an impact on cargo operations at both airports and seaports. According to supply chain risk analyst Everstream Analytics, pickup and delivery services and air cargo operations have seen the most disruptions, with 15 airports identified as having been affected. The analytics firm said that Nanjing Lukou International Airport and Yangzhou Taizhou International Airport had both been temporarily closed earlier in August. Meanwhile, earlier last month Beijing airport had been operating at around 43% capacity, Shanghai Pudong at around 33% capacity and Xiamen Airport (XIN) at 66%.

AIR FREIGHT MARKET UPDATE – INDIAN SUBCONTINENT

KEY TOPICS

- ISC air freight rates edged up in the past month – but the falls in capacity due to cancelled flights, combined with vast amounts of distressed sea freight, could see a "busy" market in September as per the airlines.
- As high as air freight rates are right now, with detention and demurrage and the risk of stock out, the traditional gap between fully loaded ocean costs and air freight rates have narrowed.
- Many carriers have cancelled their freighter service to India as they are unable to confirm onward flights. This situation may worsen from September, which is the traditional peak season for air freight.
- Several airlines have cancelled Bangladesh services due to low yields caused by fewer passengers. Also, demand from US retailers remain high from Bangladesh and the frequency of the freighters remain irregular. This causes imbalance between the supply and demand of the capacity and is creating backlogs which will lead to a spike in pricing. Issues in ocean shipping, high ocean prices and ongoing air cargo demand are putting capacity under pressure.
- The Pakistan market is stable in terms of the cargo flow as mango season is almost over now. Certain airlines such as 7L/ EK/SV are operating ad-hoc freighters to clear out any backlogs and keep the market in check.
- Widebody belly capacity is still in the low range (approx. 20%), but the demand has picked up across almost all lanes. These conversions are temporary and are likely to be pulled back by the airlines once the rates start to decline and there is an improvement in passenger flights.
- With the seasonal demand for the Q4 holiday season in full swing and apparent momentum in spending on consumer goods, retail inventory to sales ratios are still near record lows. Even if retailers shut down all stores and just focused on replenishing inventory backlogs, it would still take months before things are back to normal.

Seasonal demand for the Q4 holiday season in full swing.

AIR FREIGHT MARKET UPDATE – INDIAN SUBCONTINENT (CONTINUED)

KEY TOPICS

- Shippers are struggling to ensure cargo is shipped on time, in addition to meeting robust new demand.
- Flights to and from Delhi will have to fly towards the tip of Pakistan and go via Iran in order to avoid Afghanistan's airspace. This is going to increase the cost of flying which will, in turn, have a direct impact on air fares. All US-bound flights from New Delhi might need a fuel stop somewhere in the Middle East. Flights to Europe could still make it but they will need to take a detour. Aviation turbine fuel accounts for roughly 30-40% of an airline's total cost. More fuel burned will result in higher expenditure on one of the biggest cost items.
- Amid a dip in Covid-19 cases, the UK, USA, UAE and Cambodia have relaxed restrictions and allowed travellers from India to enter. The rules are now as follows:
- **UK:** Fully vaccinated passengers from India will no longer be subjected to a compulsory 10-day hotel quarantine, as the UK moved the country from its 'red' to 'amber' list.
- **US:** The United States eased travel restrictions for India, lowering it from the highest Level 4, which means no travel, to Level 3, which urges citizens to reconsider travel.
- **UAE:** Those who have a valid residency permit and are fully vaccinated at least 14 days prior to the travel can enter the UAE.
- **Cambodia:** the ban has been lifted on travellers from India.
- Meanwhile, in Sri Lanka a nationwide lockdown came into effect from 20th August. All essential services are functioning as normal, but the Covid-positivity rate is around 20% for the country. They are seeing huge pressure on medical infrastructure with almost 200 deaths every day. The situation is quite unstable from an air freight pricing perspective.

Flights to and from Delhi will have to fly towards the tip of Pakistan and go via Iran in order to avoid Afghanistan's airspace

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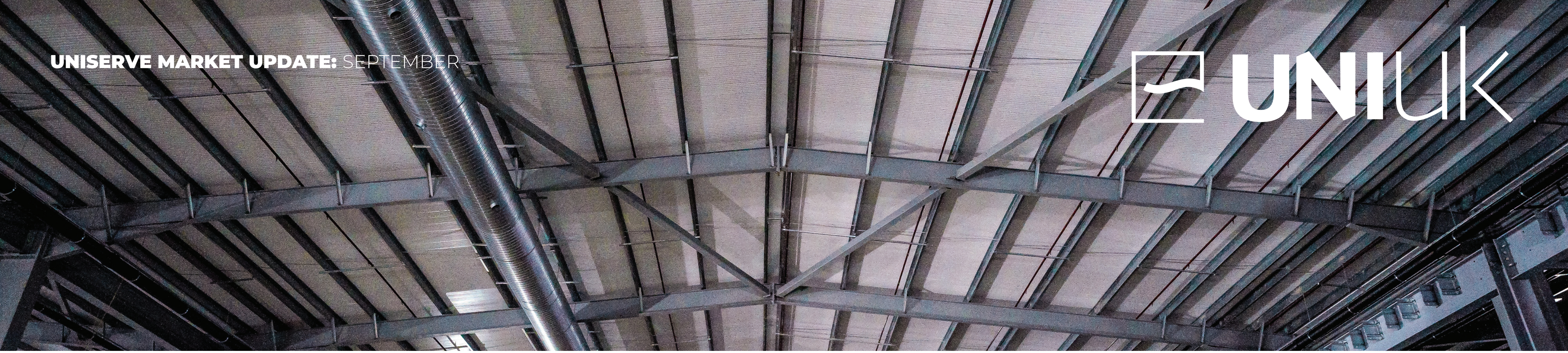

WAREHOUSING & DISTRIBUTION UPDATE

Despite the extraordinary pressures on the UK transport and logistics industry, we may actually be in the calm before the storm – what with the Black Friday and Christmas surges on the not-so-distant horizon. Meanwhile the industry and the Government don't appear to be entirely on the same page...

KEY TOPICS

- The last month has seen an increasing level of dialogue between logistics industry bodies and the UK Government regarding the chronic HGV driver shortage. Logistics UK and the British Retail Consortium wrote a joint letter to the Department for Business, Energy and Industrial Strategy (BEIS) repeating the call for 10,000 temporary visas to be issued to EU drivers as a short-term measure to offset the driver shortfall.

  The letter from chief executives David Wells (Logistics UK) and Helen Dickinson (BRC) stated: "The current shortfall of around 90,000 HGV drivers is placing unsustainable pressure on retailers and their supply chains. While there was a shortage of HGV drivers prior to the Covid-19 pandemic and Brexit, these two events have exacerbated the situation; the pandemic halted driver training and testing for more than 12 months, while an estimated 25,000 EU drivers returned home during the pandemic and following the end of the transition period." However, the Government rejected the solution, indicating that it would cut across the UK's decision to leave the EU:

  "The British people repeatedly voted to end free movement and take back control of our immigration system and employers should invest in our domestic workforce instead of relying on labour from abroad."

  The Government also pointed to its series of measures to help alleviate the driver shortage, which included "...plans to streamline the process for new drivers to gain their HGV →

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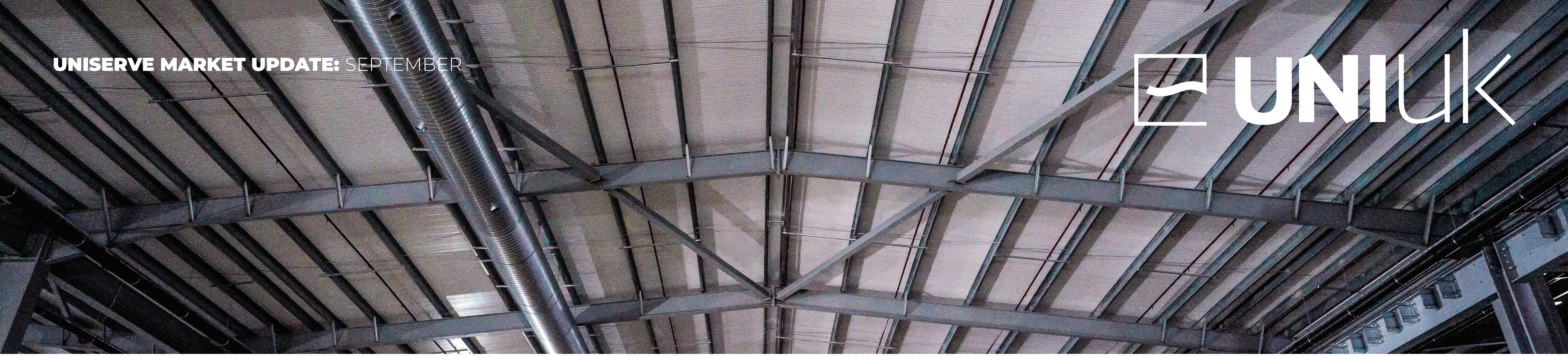


WAREHOUSING & DISTRIBUTION UPDATE (CONTINUED)

KEY TOPICS

licence and to increase the number of tests able to be conducted. We have also temporarily relaxed drivers' hours rules to allow HGV drivers to make slightly longer journeys, but these must only be used where necessary and must not compromise driver safety."

Subsequently, the Government has said it is making up to 50,000 more HGV driving tests available each year due to this 'streamlining' process. As part of this process drivers will only need to take one test to drive both a rigid and articulated lorry, rather than having to take two separate tests (spaced three weeks apart).

The tests themselves will be shorter with certain elements removed such as the 'reversing exercise' and the 'uncoupling and recoupling' exercise. Additionally, the rule that it is tested separately by a third party will go. According to the Government: "This part of the test is carried out off the road on a manoeuvring area and takes a significant amount of time. Testing such manoeuvres separately will free up examiner time, meaning they can carry out another full test every day."

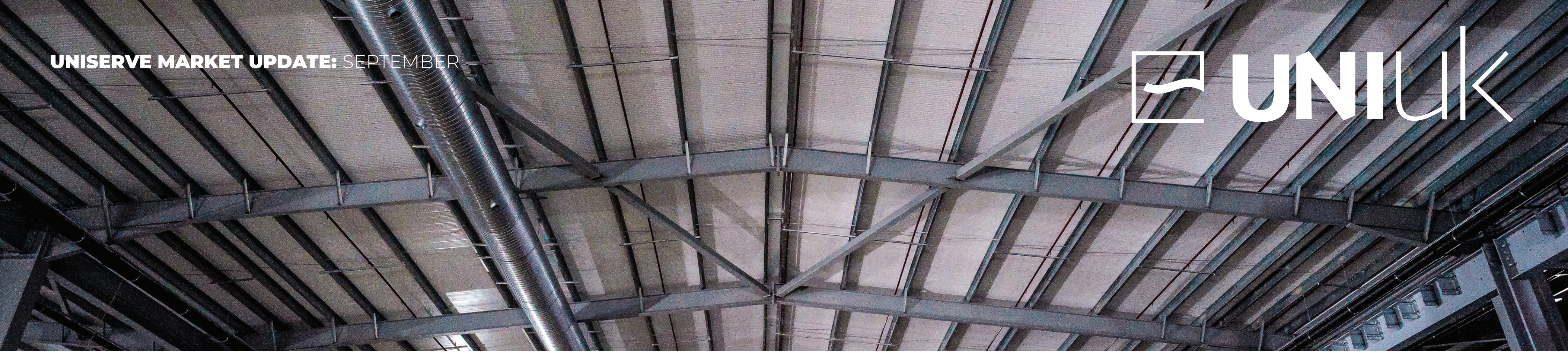
Transport Secretary Grant Shapps stated that the new measures would help "more and more people to kickstart their career as a well-paid HGV driver."

Addressing concerns about the safety implications of these measures, Mr Shapps also said: "The standard of driving required to drive an HGV will not be affected, with road safety continuing to be of paramount importance. Any driver who does not demonstrate utmost competence will not be granted a licence."

Elizabeth de Jong, Policy Director at Logistics UK welcomed the initiative, agreeing that it "...will increase testing capacity significantly and have a positive effect in the longer-term."

However, Ms de Jong cautioned that the impact of the measures "is unlikely to make a significant difference to the driver shortage if they cannot be implemented in time for the industry's Christmas peak, with DVSA, DVLA and the wider training industry needing time to apply the changes and adapt their operations."

Government measures are unlikely to make significant difference to the driver shortage crisis if they can't be implemented prior to the Christmas peak.



WAREHOUSING & DISTRIBUTION UPDATE (CONTINUED)

KEY TOPICS

- Driver shortages have also resulted in a shift in recruitment policies within the sector. In particular it has now become commonplace for businesses to offer significant 'joining bonuses'. However, industry observers have stated that this is not fixing the fundamental problem but merely adding to the challenge by creating a "merry go-round" as drivers look to chase the money around the industry.
- Meanwhile, transport volumes are remaining extremely high, with booking lead times being pushed out to over seven days across the market sector.
- Demand for warehousing space continues to spiral in the UK marketplace, with many business' acceleration into the ecommerce arena continuing unabated. Even with traditional retail channels trading in largely pre-pandemic conditions, around a third of all retail spending is now occurring online. As a result there is particular pressure on companies looking to surf this wave to deliver final mile fulfilment solutions successfully.
- Uniserve is addressing these marketing trends, providing a wide range of services to meet consumer demand. Our newest addition to our network – the Felixstowe Mega Distribution Centre (FMDC) has a purpose-built e-fulfilment zone allowing us to support our customers in ensuring their own end customers receives an outstanding, seamless and efficient service. Our dedicated e-commerce team are ready to support integration and share our experiences in optimisation of our customers current solutions.
- The FMDC's e-commerce facilities include a 200,000 sq. ft dedicated efulfilment zone across four mezzanine floors as well as:
  - – Bespoke automation
  - – High value, high security areas
  - – Production areas & clean rooms
  - – High volume capacity and throughput for order management, item picking and bespoke packing
  - – Value added services including reworking, personalisation, kitting, labelling, tagging and kimballing.
  - – Management information (real-time reporting, customisable data feeds, system integration / visibility)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EUROPEAN FREIGHT TRANSPORT MARKET UPDATE

The Road Haulage Association (RHA) have estimated a shortage of 100,000 drivers in the UK, out of a pre-pandemic total of about 600,000.

KEY TOPICS

- The RHA has said some 30,000 HGV driving tests did not take place last year because of the pandemic, adding that a "historic" shortage in drivers had been exacerbated by changes to rules following Brexit. More recently, drivers being told to self-isolate after being notified by the NHS Covid-19 app have also added to the problem.
- The driver shortages are not just an issue for domestic UK transport but also European movements as it is reported 14,000 EU lorry drivers left jobs in the UK in June 2020, but only 600 had returned by July 2021 and many refuse to drive to the UK.
- It is evident that industries all across the UK have been battling with a supply chain crisis due to a shortage of lorry drivers that has been worsened by the combination of Brexit and Covid-19, which has seen thousands of previously UK-based drivers from EU countries return to their home countries. The haulage-related issues have added to stock problems in many countries this year and last year caused by blockages in intercontinental supply chains, due mainly to disruptions to ocean freight capacity and congestion. →

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EUROPEAN FREIGHT TRANSPORT MARKET UPDATE (CONTINUED)

KEY TOPICS

- These issues have caused significant price increases.
- It is reported that European road freight spot prices are close to a three-year high, according to the latest Transport Market Monitor (TMM) published by Transporeon. The French and Italian markets are particularly affected.
- To make matters worse a driver shortage isn't the only cause of the delays. For example, there is a shortage of trailers in Turkey due to an imbalance of loads going back to Turkey, which is causing trailer costs to increase by 10%. This is causing long delays on the main Turkish border with Bulgaria at Kapikule (pictured), with the queue currently standing at 12km long. However, all our groupage services have available capacity and are running as usual.

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COMPLY DIRECT OVERVIEW

Comply Direct, a Uniserve Group partner, is an environmental compliance scheme and sustainability consultancy.

A QUICK INTRODUCTION

- Comply Direct fulfils the legal obligations of companies with requirements under the waste packaging, WEEE (electrical) and batteries legislation, as well as supporting businesses in achieving their sustainability obligations, goals, and aspirations.
- Comply Direct have in-house environmental policy and sustainability experts who monitor the industry and communicate key information regarding regulatory changes. They also advise on how businesses can mitigate climate change via mandatory and voluntary sustainability commitments in order to work towards the UK's climate reduction target.

Plastic Packaging Tax

- From 1st April 2022, plastic packaging components manufactured in and imported to the UK will be liable for a specific material tax where it does not meet a minimum recycled content of 30% by weight.
- The Plastic Packaging Tax is a measure put in place by HMRC as part of the UK's resources and waste strategy to encourage the usage of recycled material in plastic packaging in the UK.
- Manufacturers and importers of plastic packaging with less than 30% recycled content will be required to pay the tax directly. However, businesses will need →

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COMPLY DIRECT OVERVIEW (CONTINUED)

KEY TOPICS

to handle more than 10 tonnes of plastic packaging to be required to pay the tax.

- Liability sits primarily at one of two parties in the supply chain depending on the source of the material:
  - For plastic packaging imported into the UK: The business that first takes ownership of the packaging in the UK would be liable.
  - For plastic packaging manufactured in the UK: The first business that manufactures a finished plastic packaging component would be liable.

  Packaging components are defined as: "a product that is designed to be suitable, whether alone or in combination with other products; for single-use (even if capable of being used more than once) and for use by a consumer in the containment, protection, handling, delivery, or presentation of any commodity/waste" To prepare and gain a quick indication of your business' potential plastic tax liability, you can use Comply Direct's simple online calculator HERE.

Strengthening the Energy Savings Opportunity Scheme (ESOS) Consultation

- The Energy Savings Opportunity Scheme (ESOS) is mandatory for all obligated large undertakings and their corporate groups. Large organisations are required to assess energy use and identify opportunities to save energy.
- A UK organisation is obligated to comply with ESOS if it either: Employs 250 more people, or has an annual turnover in excess of £44m and an annual balance sheet total in excess of £38m, or is an overseas company registered in the UK which has 250 or more UK employees (paying income tax in the UK). The scheme runs in phases of 4 years and we are now in phase 3. Each phase has a qualification date (on which a company must assess whether they are obligated) and a compliance deadline (by which date an organisation must be compliant).
- Key dates for phase 3: Qualification date is 31st December 2022. The compliance date is 5th December 2023.
- If you have any queries about the Plastic Packaging Tax or ESOS, or if you think your business needs to comply, contact Comply Direct who will be able to advise and enable you to reach compliance.

uniserve

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