MARKET UPDATE

AUGUST 2022

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OUTLOOK & HEADLINES

- **MARKET:** Globally, the average delay of container vessels fell from 9.95 days in January to 6.17 days in May.
- **MARKET:** A strong third quarter is expected for the summer peak.
- **MARKET:** Rail strikes across the UK and several major German ports stand to be impacted by fresh walkouts in mid-July.
- **OCEAN:** Demand is picking up, but congestion is still having a widespread impact on capacity deployed on the Far East routes.
- **AIR:** The air freight market is still largely driven by capacity issues and not so much by demand.
- **AIR:** Shanghai is back in business following a COVID-19 lockdown.

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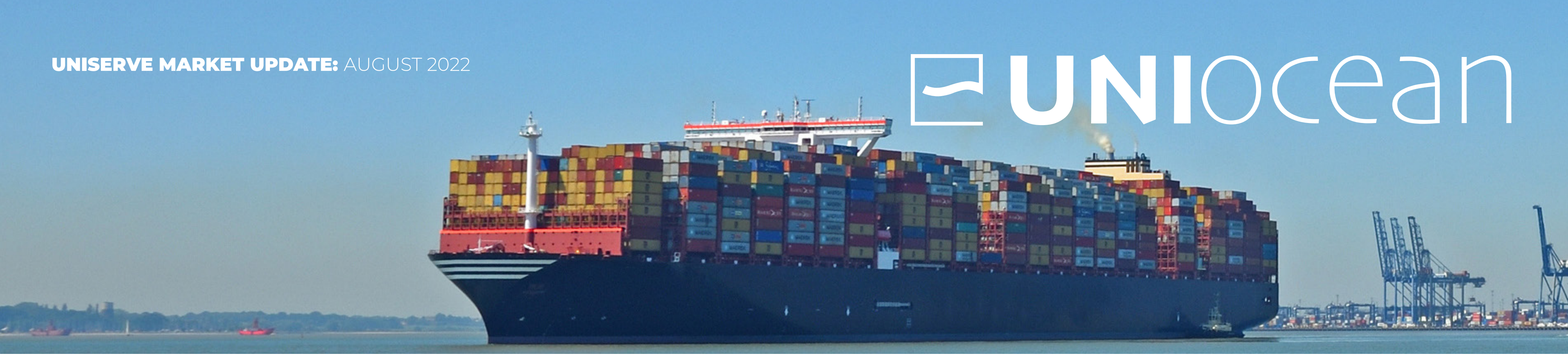
OUTLOOK & HEADLINES (CONTINUED)

- **OCEAN:** Despite fleet expansions and capacity increases, a normalisation in seafreight rates could be as far away as 2025.
- **AIR:** The air cargo market continues to soften across ISC. Overall, rates remain more than 100% higher than in 2019, but the market is seeing a steady decline.
- **OCEAN:** Container liner operators are continuing to mop up second-hand ships from non-operating owners.
- **AIR:** China and Hong Kong remain the exception. Whilst the Hong Kong Government are easing quarantine restrictions, strict quarantine rules remain in play.



OCEAN FREIGHT MARKET OVERVIEW

Despite evidence of some consumer demand slipping, there is no sign of imports from China slowing.

KEY TOPICS

- This along with Shanghai reopening indicates that an early start to the peak season is more likely.
- By all accounts, global container lines are facing another record year with marked earnings progress, but the share prices of listed carriers have at the same time plunged in the first six months of the year, leaving shareholders with enormous losses.
- With sky-high freight rates and bottlenecks in many ports, available capacity was the scarce resource separating winners and losers in the container industry in the first half-year, reveals a new report by analyst firm Alphaliner.
- Sterling is in freefall at the moment, benefiting UK Exporters. Conversely, UK Importers are feeling the additional burden of higher cost of manufactured products. Any company that has a strong US Dollar cash reserve at the moment will be giving themselves a big pat on the back. In its mid-year assessment of the Pound's prospects Barclays forecast further declines through the second half of 2022, but by the start of next year sterling could be ready to climb again, particularly against the Dollar.
- Container carriers' delays have decreased, according to analyst firm Sea-Intelligence, and progress has mainly taken place on the important route between Asia and the →

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OCEAN FREIGHT MARKET REGIONAL REVIEW & CARRIER OUTLOOK

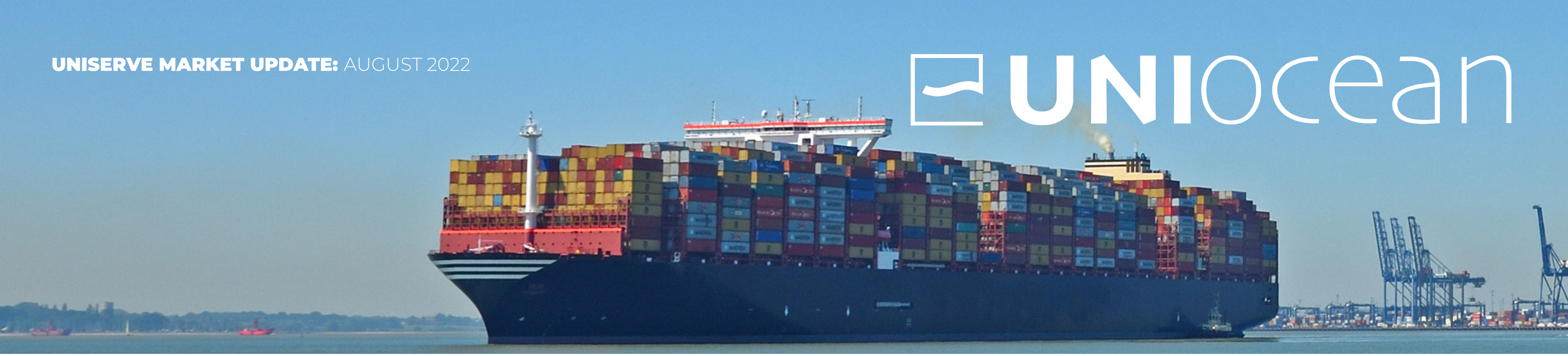
KEY TOPICS

US west coast. Globally, the average delay of container vessels fell from 9.95 days in January to 6.17 days in May, according to Sea-Intelligence, however, the numbers cover large differences among the world's shipping routes.

- Ocean carriers appear to have succeeded in halting the erosion of container spot rates from Asia this week, thanks to aggressive blanking programmes, but falling demand from Europe and the US is a growing concern for the integrity of contracts. However, it looks like the peak season has got off to a relatively slow start in July. We are predicting a much stronger August demand.
- Blank sailings and continuing port congestion at North Europe hubs are preventing a rate collapse as load factors plunge to 80% on some westbound sailings.
- The uncertainties on a macro include the ongoing Ukraine war, civil unrest in Sri Lanka, soaring temperatures and adverse weather due to climate change, high inflation across Europe, and lower consumer confidence.

Peak season has got off to a relatively slow start in July. We are predicting a much stronger August demand

- Don't mention the 'R' word. As economic problems loom for much of the west, governments everywhere are strategizing on how best to avoid the awful prospect of recession.
- Is there a summer of discontent in the wings? Rail strikes across the UK and several major German ports stand to be impacted by fresh walkouts in mid-July, when port workers organized in trade union ver.di plan to strike for 48 hours, reports media NDR. The strike is a so-called "warning strike" caused by the failure of the sixth round



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KEY TOPICS

of wage negotiations between the union and employers organized in Zentralverband der deutschen Seehafenbetriebe (ZDS).

- Late July saw more threats to USWC operational efficiencies. Truck drivers protested at Oakland's container port; halting box traffic already squeezed hard on the US west coast.
- Countries committed to fighting climate change are being cornered into pushing the issue to the back seat as Russia's war exacerbates a global energy crunch and a cost-of-living crisis. In Europe, where scorching temperatures broke records in the UK and left hundreds of millions sweltering on the continent, July's heat wave has exposed deficiencies in how prepared some countries are for extreme weather.
- The geopolitical landscape we are all operating in currently remains one of the most challenging environments most of us have encountered in our adult lifetimes. It's often difficult to know where to begin. The war in Ukraine, Sri Lanka's economic woes, rising inflation, utilities, fuel, groceries and general cost of living increases coupled with rising interest rates, China's ongoing 'dynamic covid-zero lockdown strategies, and consumer spending in the West finally shifting from goods to services have us all, at times, scratching our heads for what's going to happen next. Our conclusion.....Expect the unexpected, learn from it and be prepared.
- Inflation must be considered a global problem. There is no denying that the effects of global inflation will probably continue for at →

July's heat wave has exposed deficiencies in how prepared some countries are for extreme weather

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KEY TOPICS

least the next year. But there are also many indications that some of the most damaging components of the current situation (with global inflation at 8.7%) will begin to gradually subside. For the world's suppliers and other supply chain participants, there is likely some relief on the horizon.

- The carrier tactics of blank sailings have continued to be used in an effort to stabilise pricing and the supply / demand curves. We continue to predict strong export demand from Asia for the rest of the year particularly into the US and Europe.
- Onto UK Exports now. On the Far East and South East Asia, Space is starting to become an issue with many carriers now having no space until mid-August. Rates are dropping with some trades now on minus freight, but BSF (British Shipping Federation) remains very high. For Australia and New Zealand, congestion via Singapore has eased somewhat, rates remain at a high level still with no sign as yet of dropping. Trade has not lessened because of this and remains busy. For North America, Trade remains brisk despite the extremely high rates, congestion and delivery delays are still significant adding around 2-3 weeks at destination. Finally on South America, in particular, we have some significant growth in Argentina.
- In order to mitigate the risk of liner equipment shortages as much as we possibly can, our International Sea Freight Division, UniOcean Lines has brought over 24,000 branded new containers (HQ's and 20ft GP's) into service from China to Europe and the U.K. We →

Inflation must be considered a global problem

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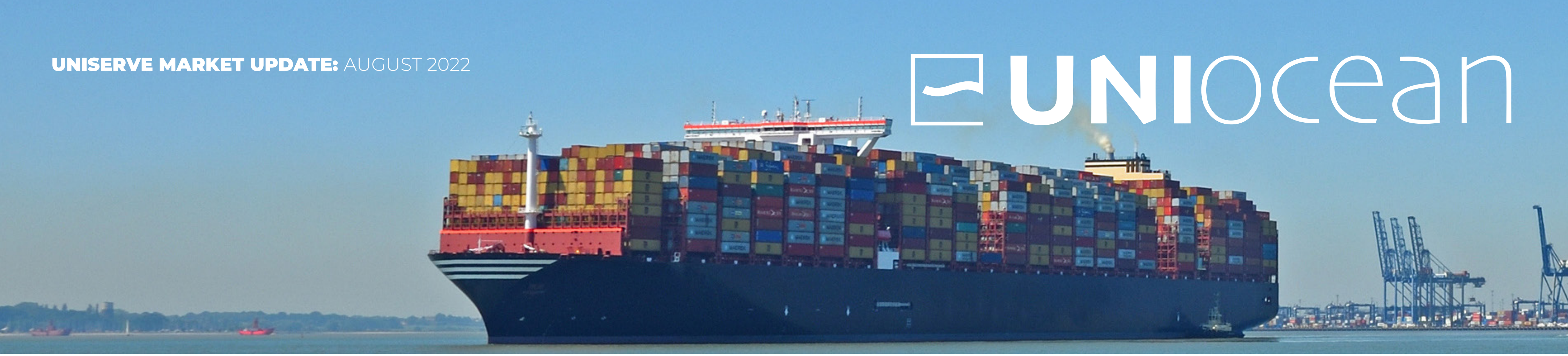

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KEY TOPICS

also have introduced a limited supply of brand new 45ft super cube containers. This helps us support all existing carrier contracts. Whilst some carriers close the door on the 3PL community, we continue to push ahead with our continued multi-carrier strategy, seeing new carriers stand shoulder to shoulder with our long-term carrier partners.

- French CMA CGM has made big investments in container ships in the last two years. The acquisitions have consolidated the carrier's position as number three on the list of the world's biggest container carriers. From 1st July 2022, ONE implemented a new surcharge called "Weight Discrepancy Surcharge (WDS)" for the Asia Europe Trade of US$2,000.00 per container.
- Bottlenecks, delays and queued-up container ships mean that almost one in ten box vessels has been removed from the overall capacity on the container market, writes Sea-Intelligence. It has, however, improved, but it may get worse again.

UniOcean Lines has brought over 24,000 branded new containers (HQ's and 20ft GP's) into service from China to Europe and the U.K

- The first half of 2022 was a bad one for shareholders in five global container lines, which have lost a major amount in stock value. Maersk alone has lost DKK 141bn in value, although earnings remain sky high.
- While Cosco and Maersk, among others, have declined in regard to capacity, the world's leading container carrier, MSC, is leaving its competitors way behind through major acquisitions of second-hand ships and a wide-ranging order book.
- Cosco Shipping heralds further

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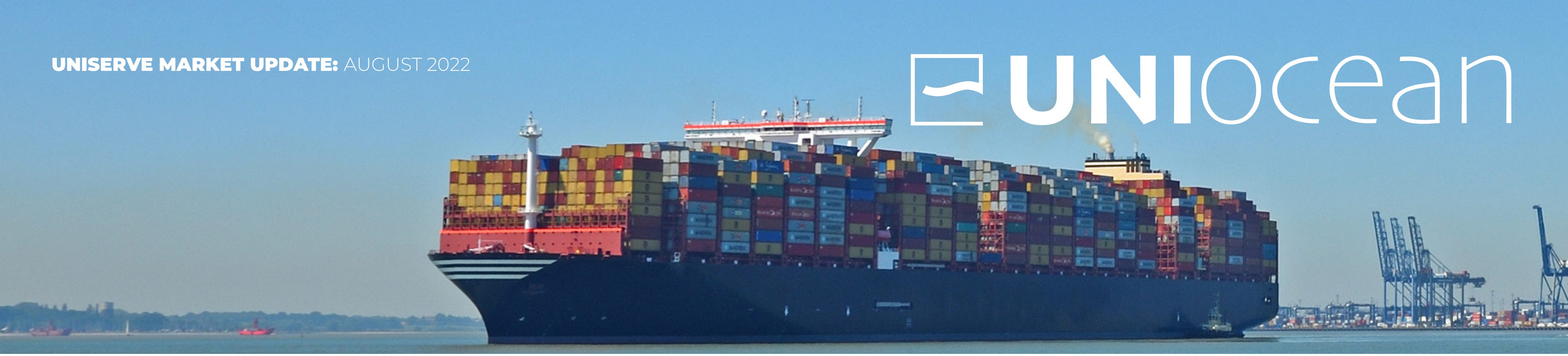
KEY TOPICS

advancement than expected in its forecast for the first half of the year. Cosco Shipping announced in July that the container line expects its earnings in the first half-year to have increased by 74% to CNY 64.7bn (USD 9.6bn), which exceeds analyst estimates, according to Bloomberg News.

- With the introduction of green fuels in shipping, the number of different engine types for ships is growing. Reuse of technical solutions will be important for engine developers such as MAN.
- The currently fine financials within the container vessel sector, have made shipping companies scrap far fewer older vessels this year, according to a report by VesselsValue on behalf of Shipping Watch.
- MSC's port company Terminal Investment Limited (TIL) has initiated an extensive investment program for the container terminal in French city Le Havre. More specifically, it concerns EUR 700m meant to ensure more than 1,000 jobs, including 900 for port workers in the course of the next six years.
- Problems with pirates attacking merchant ships were decreasing in the year's first six months compared to the first half-year period of 2021, and piracy has thereby declined to the lowest level since 1994.
- An ESG related headline now, a new bill has been introduced in the US to tackle climate change and emissions from ocean-going vessels. The bill is the first stand-alone legislation seeking to eliminate pollution from all shipping companies that do business with the US, according to a statement. The Clean Shipping Act of 2022 aims to "clean up the shipping industry, protect the health of port communities, address environmental injustice, and provide solutions to the climate crisis," reads the statement.
- Bunker oil sales volumes dived 8.7% to 3.75 million tonnes at the Port of Singapore in June compared to the same month last →



OCEAN FREIGHT MARKET REGIONAL REVIEW & CARRIER OUTLOOK

KEY TOPICS

year, according to a report from the Maritime and Port Authority (MPA) of Singapore.

- Is the wind of change coming? The towering earnings of container shipping companies seen in recent years are a clear indication that it is high time to tighten competition regulation of the sector and clarify the requirements posed by authorities, according to a new report. The report on container shipping is titled "Performance of Maritime Logistics" and comes from inter-state organization the International Transport Forum (ITF) with 64 member nations under the OECD.
- Shipping line HMM, the largest carrier in South Korea, plans to spend over USD 11bn on investments that will expand the company's container capacity by half.
- Green with envy? As of Q1 next year, Maersk will demand added charges from its customers on container freight in the wake of the EU expectedly deciding to include the shipping industry in its carbon quota system, ETS, from next year.

The steep increase in fuel prices cannot avoid having an impact on the price on container freight

- ENVIRONMENT ministers in the European Council have agreed to include maritime shipping emissions within the scope of the EU emissions trade system (ETS), reports Singapore's Splash 247. The system is part of the "Fit for 55" package to reduce greenhouse gas emissions 55 per cent by 2030 compared to 1990 levels.
- The steep increase in fuel prices cannot avoid having an impact on the price on container freight. But there are signs that spot rates are more negatively affected by fuel prices than initially assumed. Spot rates have declined

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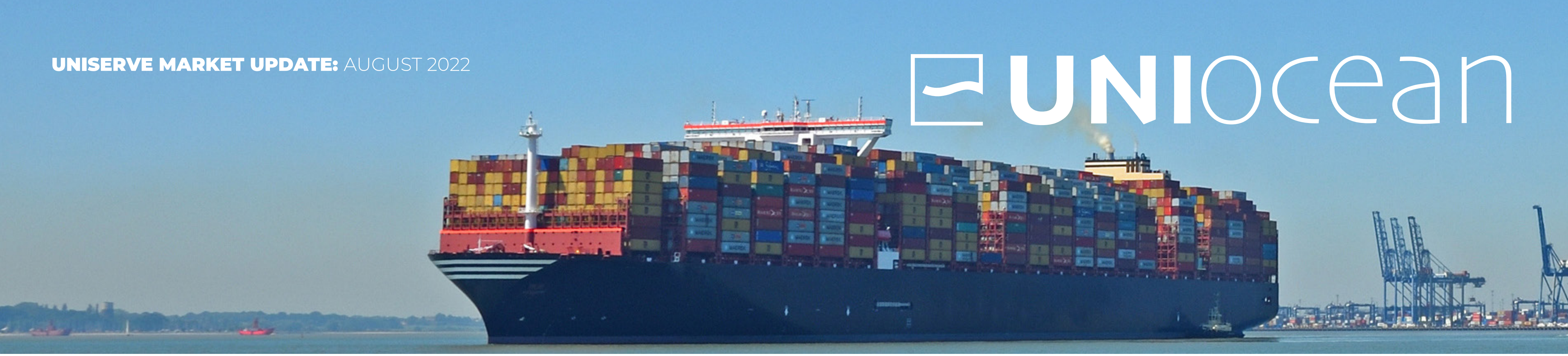
KEY TOPICS

in recent weeks, and according to analyst firm Sea-Intelligence, this can no longer be explained by seasonal developments only.

- Sales of second-hand vessels are stagnating after last year's strong willingness to buy among carriers. But despite a slowdown, the level is still high, assesses Alphaliner. There are, however, still signs of robust demand.
- Ahead of the curve? Following a slow start, the shipping industry is on the right path to an emission-free future. However, serious question marks remain, especially regarding the long-term availability of sustainable and safe marine fuels. Such was the overall verdict from a group of panellists discussing the "alternative fuels landscape" during a webinar on the first day of the "Decarbonization in Shipping Forum" organized by Capital Link.
- Hutchison Ports Port of Felixstowe has launched OCEAN (Online Container Enquiry Analytics Notifications), a new online platform to provide fast and accurate real-time information for customers.
- CMA CGM is under political pressure in France to share some of its extraordinary profits to counter inflation. At a hearing in a French Senate Wednesday, CEO Rodolphe Saade opposed a windfall tax plan. "When my freight rates were at USD 350, where were you?" he asked senators.

Indian subcontinent

- Volumes have picked up slightly across ISC in Q3. However, the overall market is relatively stable without a major surge in volumes.
- There have been a large number of blank sailings and omissions. Europe's consumer confidence and demand level continues to be impacted by economic and political uncertainty.
- Rates will mostly extend or slightly reduced going into August,2022 but some key ocean carriers are bullish on demand
- Overall space is starting to fill up again. Congestion in European ports is causing



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KEY TOPICS

sailings to return to Asia late, resulting in additional delays and some blank sailings.

- The Indian ports continue to bear the impact of the Sri Lanka economic crisis. There has been a 25 percent shortage of containers at the Chennai Port which has made it face a rise in shipping costs. Now as the trade routes open between Asia and the US as well as Asia and Europe, the shipping industry in India is struggling to keep up with the gap between container demand and supply.
- Maersk has successfully transported 50 containers (TEUs or Twenty Feet Equivalent Units) of Coca-Cola Bangladesh Beverages using the inland waterways of the Indo-Bangladesh Protocol Route-marking it as the first India-Bangladesh cross-border logistics of containerised cargo. The cargo travelled from Kolkata in India to a river port near Dhaka in Bangladesh on a barge on the National Waterways 1 on the India side, Maersk has created a new opportunity for customers to use the faster, more reliable inland waterways solution that connects the two countries.
- SC shippers cannot see any respite from vessel schedule disruption, particularly on connections to Europe.
  - HL has announced stream of intermittent void calls on its IOS between West India & North-Europe from August through to November.
  - ONE is also a consortium partner for the IOS, contributing one vessel out of total eight ships deployed on weekly string
  - The changes would see 10 blank calls out of India over the next four months, five each for the ports of Nhava Sheva & Mundra
  - In addition, the port of Hazira, IOS's third Indian call, continues to remain off the rotation itinerary throughout this period
  - The IOS also is to see some sporadic omissions for LGW and Antwerp as part of its ongoing schedule recovery efforts.

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AIR FREIGHT MARKET OVERVIEW & REGIONAL REVIEW

The strong cargo demand that helped airlines stay afloat during the pandemic has dropped off.

KEY TOPICS

- In the absence of COVID-19 related products, we are now seeing more of a pre-pandemic traditional 'slack season.' July volumes were down in the commercial sector, which is reflective of the summer slowdown, although there are also the added factors of spending being directed from goods to services and concerns over consumer spending and confidence falling, with an increased cost of living and high inflation.
- Despite significant reductions in some areas, overall rates are still well above pre-COVID levels due to multiple factors including continued lower passenger flights, the war in Ukraine, banned Russia operators, permit restrictions between China & EU/UK, and the inflated cost of fuel.
- The IATA figures show that air cargo demand in cargo tonne-km (CTK) terms declined by 8.3% year on year in May, while load factors dropped by 6.1 percentage points on a year earlier to 50.5% and capacity was up 2.7%. It is the third month in a row that demand has declined from a year earlier, although May's decline was lower than the 11.2% drop registered in March. Looking ahead, the airline association was hopeful that the easing of COVID-19 restrictions in Shanghai and Hong Kong would boost cargo.
- The expected industry net loss of $9.7 billion this year is "a phenomenal result even if it's →

AIR FREIGHT MARKET OVERVIEW & REGIONAL REVIEW

KEY TOPICS

still in the red," given the historic challenges the industry has faced since 2020, IATA Chief Economist Marie Owens Thomsen told the IATA AGM. Thomsen also said the industry could return to the black in 2023 while airlines in North America are expected to post profits this year, driven by the robust performance of the US domestic market.

- As the industry tries to rebound, it seems the whole of the West are suffering from infrastructure deficiencies, with reported delays at most major hubs, Lufthansa Cargo is re-routing some freighter flights from Frankfurt to Munich, as the carrier's main hub continues to be severely affected by labour shortages. IAG Cargo, the cargo division of British Airways' (BA) parent company International Airlines Group (IAG), has said "BA's recent decision to cancel more than 10,000 flights out of the UK will not impact its air cargo shipments".
- In markets where passenger travel is more open now, and despite the airport infrastructure issues delaying travellers looking for their first vacation for some time, passengers are coming back. These infrastructure restrictions mean flight numbers may not be at the levels that either carriers or travellers would like, but transatlantic flight numbers are up significantly, and that will steadily have an impact on reducing freight rates on that route.
- China and Hong Kong remain the exception. Whilst the Hong Kong Government are easing quarantine restrictions, strict quarantine rules remain in play. We are still seeing most carriers delaying the re-commencement of 'business as usual' with Virgin Atlantic being the latest example of this, deferring →

Hong Kong Government are easing quarantine restrictions, strict quarantine rules remain in play

AIR FREIGHT MARKET UPDATE – REGIONAL REVIEW

KEY TOPICS

recommencement of passenger flights until March 2023. The return of passenger flights with bellyhold capacity operations for now, remains sluggish.

- Shanghai is back in business following a COVID-19 lockdown, but additional quarantine measures have resulted in trucking restrictions and staff shortages that are further hampering airfreight supply chains. China's ongoing 'dynamic zero-Covid' on/off city-wide lockdowns still show no signs of an end. The latest city to struggle is Wuhan which saw a handful of cases in the last week and its population are now subject to mass testing again. Production is still recovering in the Shanghai region, nearing the most recent pre-lockdown levels. Passenger travel to China Mainland is still severely restricted and there is no sign of a change to this.
- Until the free movement of passenger returns, China mainland and Hong Kong remain dependant on freighter and passenger conversions. Aircraft maintenance, permit restrictions, and a new ruling by the EU to stop cabin loading of cargo on passenger flights implemented this month will all result in ongoing capacity restraints in the region, despite falling volumes for now.

Shanghai is back in business following a Covid lockdown

- A Cathay Pacific freighter has completed the first commercial flight to land at Hong Kong International Airport's (HKIA) new third runway. The landing of flight CX3251 from Shanghai Pudong operated by a Boeing 747-400F freighter at 08:27am on July 8 was conducted as part of the operation familiarisation on the third runway.
- The Ezhou Huahu Airport in China's central province of Hubei has started commercial operations with the first cargo flight on 17 July. Equipped with a cargo terminal of →

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KEY TOPICS

23,000 square meters, a freight transit centre of around 700,000 square meters, 124 parking stands and two runways, the new airport is expected to improve the efficiency of air freight transport and further promote the opening of the country after two years of highly restricted travel by air due to the pandemic.

- The majority of countries in South East Asia are also seeing softer demand and some additional capacity slowly coming back in to the market with passengers moving more freely in the region now.
- The air cargo market continues to soften across ISC. Overall, rates remain more than 100% higher than in 2019, but the market is seeing a steady decline.

INDIA

- The market is expected to remain slow during the month of August too.
- The air freight market is a lot more dynamic and a lot more intense in terms of price negotiation, weekly rates being encouraged by the shippers and the market is mostly moving on spot basis.
- Pradhaan Air Express, the newest cargo airline to enter the Indian market, has received the No-Objection Certificate (NOC) from the civil aviation ministry and is expected to begin commercial operations later this year. The airline is set up by the founder of airline general sales agency Zeal Global Corporation, Nipun Anand, and will be based in Delhi's Indira Gandhi International Airport. According to the carrier, its business model will center around offering charter facilities to Indian shippers and freight forwarders on domestic and international routes. While foreign airlines still account for a significant chunk of international cargo capacity in India, major carriers like IndiGo and SpiceJet, and now Pradhaan Air Express jumping into the fray could change that in the years to come.
- The Indian Government through its subsidiary, AAI CLAS and private airports, will continue to invest in and develop more retail airports. →

AIR FREIGHT MARKET UPDATE – REGIONAL REVIEW

KEY TOPICS

With the growing cargo movement coming from tier 2 and 3 cities, this is going to be a major move forward. Regional airports are going to play a significant role in transporting cargo from the factories or their distribution points. New airports are being developed as multimodal hubs, with connectivity from air/ports/sea/road/rail. This will have a very big impact as we move forward.

BANGLADESH

- Will see a slight growth of business in month of August – air freight rate might increase a bit due to potential volume of Inditex cargo which will start to move from the month of Aug.
- All factories have started their production after EID holidays - shipment will start to depart from 1st week of Aug.
- Jet fuel price has started to increase and is expected to be reflected in the fuel surcharge charged by carriers in mid-August,2022.
- Space will not be an issue for the time being although airlines like QR/SV/EK will give priority to Inditex cargo.

The air cargo market continues to soften across ISC

PAKISTAN

- Routine flights operating, QR/EK operating daily flights.
- Mango season is almost towards closing hence the volume in the market is low.
- Monthly USD to PKR fluctuation during the last 30 days shows an increase by PKR 20.5 and 9.79%; Yearly performance of US Dollar to PKR difference shows 1 US Dollar increase by PKR 68.05 and 42.02% in value. This plummet of the rupee against the dollar also has been

AIR FREIGHT MARKET UPDATE – REGIONAL REVIEW

KEY TOPICS

credited with the country's high import bill as well as the delay in the release of a crucial $1.17 billion payment from the International Monetary Fund (IMF) to Islamabad.

- Pakistan's troubled economic condition can be seen by the fact that the value of the US dollar has been approaching its record-high level for several days.

SRI-LANKA

- Airlines cut capacity to Sri Lanka as jet fuel shortage severely impacts the air industry.
- Sri Lanka's former Prime Minister Ranil Wickremesinghe has been elected as the 8th executive president of Sri Lanka after the parliamentary election held on the 20th of July. Mr. Wickremesinghe has assured his commitment to protect the order of law in the country and act following the constitution, he further demonstrated his confidence to turn around the Sri Lankan economy. A new national budget is to be proposed in August. The central bank of Sri Lanka announced its confidence to come out of severe economic crisis within 5 months.
- The central bank continues to work with IMF to conclude debt restructuring plans.
- Some protestors are still in central Colombo however streets remain peaceful, and the curfew has been lifted. No security breach was reported anywhere else in Colombo or other cities.
- Due to the ongoing power crisis in Sri Lanka, the power cut is being continued for approx. 3 hours per day. There's no interruption to internet access. Factories operate as usual in their full capacity. No significant labor shortage was reported.
- Fuel stocks are maintained at most of factories hence no interruption from the current fuel crisis.
- Operational activities continue as usual without any interruption. Airport operations are normal as usual.

WAREHOUSING & DISTRIBUTION UPDATE

KEY TOPICS

Warehousing Capacity

- As a result of supply chain disruptions, many retailers and manufacturers are extending their inventory requirements through additional space within third party logistics warehouse networks.
- Demand has reached a new high with the key driver switching from online retail to stockpiling amid supply chain issues. With shipping disruptions issues continuing this has resulted in longer lead times leading retailers and food manufacturers to extend their stock profile in the UK.
- According to CBRE, take-up of warehouse space was up 10% year on year in the first half of 2022 at 22.6 million sq. ft. Online retail has dropped from 42% to 13.6% of occupied space, with manufacturing rising to 15% and third-party logistics leaping to 27.6%.
- Third-party logistics providers provide a number of benefits through shared-user facilities and consolidation in transport and shared warehouse costs.

Demand has reached a new high with the key driver switching from online retail to stockpiling amid supply chain issues

- CBRE state that warehouse vacancy rates have now reached a record low of just 1.18%. Available floor space quickly finds new tenants and new builds are often pre-let before building work is completed.
- Research from surveyors Gerald Eve shows that some top rents were almost 60% higher in the first quarter of 2022 than they were at the end of 2020 and whilst speculative development continues warehouse demand is set to remain strong for the rest of the year and into 2023.
- Introduced in 2018 the government's →

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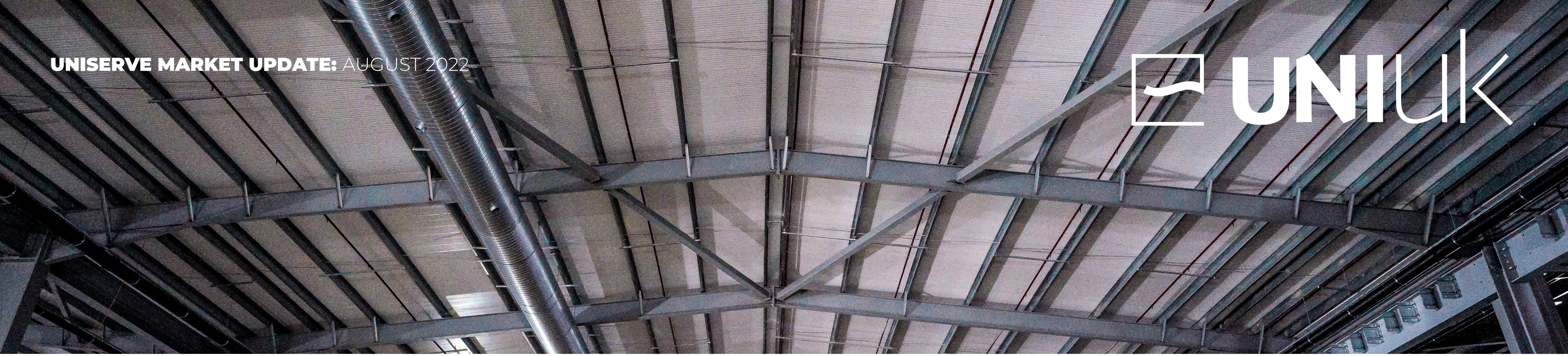

WAREHOUSING & DISTRIBUTION UPDATE

KEY TOPICS

net-zero-carbon-by-2050 agenda has fed into legislation, setting a minimum energy-efficiency standard (MEES) for non-domestic buildings to achieve a set level of energy efficiency. This is monitored via energy performance certificates (EPC's) with targets phased over a number of years.

- As the MEES begins in April 2023, research by property consultancy Gerald Eve shows that one in three warehouses will become unlettable. With another 46% of warehouses that have EPC's of D or E, these will become non-compliant by April 2027. Regions particularly at risk include the North West, Scotland, Yorkshire and the Humber, and the West Midlands. New build sheds are generally of a high specification in terms of energy efficiency and performance as demand is driven by the need to meet decarbonisation targets and sustainability.
- Targets of an EPC Grade B will need to be met in 2030 and it is currently estimate that 90,000 industrial properties, approximately 90%, of UK stock will need to make improvements to energy performance such as energy efficient lighting, upgraded insulation and solar panels.

Transport

- The market continues to be quiet, with haulage services being readily available, does not appear to be the high demand we experienced earlier in the year. We are still seeing available space on common user trains from various locations and hauliers seeking work to keep the fleet on the move. We have certainly experienced an increase in Sub Contractors looking to join our fleet as the work they were doing has started to dry up.
- The Road Haulage Association continue to lobby Government to do more to support the Haulage Industry over the high fuel costs along with the issues regarding lack of facilities for HGV Drivers along the UK country road network, however we are yet to see anything positive. Although we are starting to see that the fuel price is reducing,

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KEY TOPICS

with small reductions through July, however prices remain high, some 42% higher than this time last year. Clearly the increase in fuel costs is being felt by all households and will no doubt impact on the cost-of-living challenges we are all facing, which will lead to a change in spending priorities in the lead up to Christmas.

- We understand that Felixstowe Dock and Railway Company recently offered its workers a 5% pay increase, we understand this has led to a dispute and members of Unite, the UK's leading Union, overwhelmingly backed strike action. No strike action has been confirmed and it may be that last minute discussions will avert a strike, as this action would cause a huge disruption across the UK's supply chain.
- We are seeing a shortage of drivers recently as we enter the holiday season, coupled with the Eastern European drivers returning home. The RHA are still reporting that getting test for prospective new drivers is still a major issue as a huge back log exists with little sign of any improvement.

Looking to the future, all the major truck manufactures are setting out their stall to reduce their CO2 emissions by 15% by 2025 against a 2019/20 baseline

- Looking to the future, all the major truck manufactures are setting out their stall to reduce their CO2 emissions by 15% by 2025 against a 2019/20 baseline, five years later they must show evidence of a 30% reduction against the baseline. A key area will be charging facilities as slowly fleet operators transition to electric vehicles there will need to be adequate truck charging facilities and it is proposed that a new industry group will be established by government to look at the infrastructure requirements specifically →

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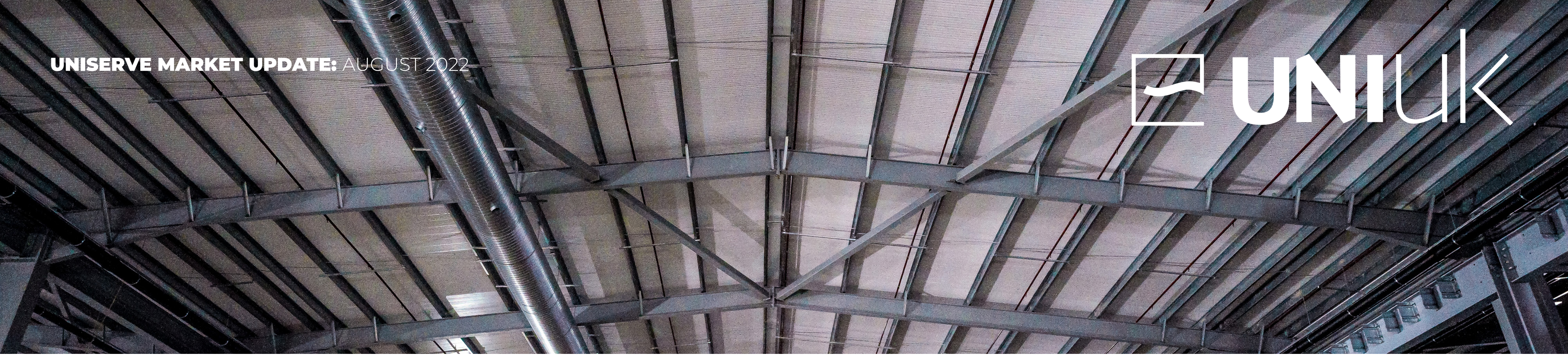

WAREHOUSING & DISTRIBUTION UPDATE

KEY TOPICS

for the requirements of HGVs, the larger manufacturers such as Renault, Mercedes, Scania, DAF and Volvo are all entering the full electric market. Mercedes will launch their eActros in 2024 which will be available as a 4x2 and 6x2 tractor unit with a 3-battery pack (300km / 186-mile range) and four battery pack (400km/248-mile) with 20-80% charge within 100 minutes. Gross vehicle weight is 19t and 27t. Volvo can provide an FH tractor unit 4x2 with a globetrotter cab and a gross combined weight of 44 tonnes, the battery capacity is 180-540 kWh, 2-6 batteries and the range on a 4x2 tractor trailer is up to 300km. charging time (full charge) with AC (43kW) is 9.5 hours and with DC (250kW) is 2.5 hours the price tag for such a vehicle is much higher than the diesel equivalent.

- We continue to expand our network of haulage availability, with service options ex Hull, Teesport, Bristol and Scotland, we can offer rail/road options on a spot basis from London Gateway, Tilbury, Southampton and Felixstowe.
- James Kemball have started putting the drivers through their CPC training, they need 35 hours of classroom training before September 2024. Each classroom session has to be a total of seven hours and each session must be on a different subject. The drivers will be updated and refreshed on traffic law, health and safety, first aid, tachograph laws to name a few subjects. Without a driver holding a valid CPC they are unable to driver a LGV for a living. Even though we are no longer a member of the European union drivers are still required by law to hold a valid CPC to drive. The major change to the CPC for drivers is they must sit five different subjects, where before a driver could sit the same subject five times which has no benefit to the driver whatsoever. With having nearly, 100 drivers that will all need 35 hour of training James Kemball want to ensure that all the drivers are full qualified by September 2024.

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EUROPEAN FREIGHT TRANSPORT MARKET UPDATE

KEY TOPICS

- With ongoing disruption in global supply chains continuing, an old problem continues to persist. With prolonged issues of driver deficits, the IRU found that shortages increased within mostly all regions from 2020 to 2021. Although, in Europe these increases were huge in comparison, with over 100,000 deficiencies in the UK alone. Moving into peak periods, these problems are beginning to rear their head again, with many driver shortfalls arising within Southern Europe – particularly in Italy.
- With these shortages and inflation in its current state, drivers' wages are destined to rise further too. This adds onto the already heavy burden supply chains are facing with fuel surcharges and capacity shortages amongst this. No steadying of the ship looks to be on the horizon either, with Girteka Logistics already forecasting an additional 30% increase in their own costs, a year from now.
- A factor contributing to our lack of drivers nationally, is the introduction of new red tape from Brexit. Hauliers actively choose to avoid going into the UK with many cases of logistic providers even putting their shipments on boats leaving from Irish ports destined to France and Spain, to avoid the UK land bridge, highlighting this.
- However, with the government's recently announced bill ready to override certain aspects of the Northern Ireland protocol, things may begin to change again. Plans have been drafted with proposals to create green and red lanes for goods moving to Northern Ireland. The green lane would be restricted to goods for Northern Ireland and would not be subject to checks, whereas the red lanes, for goods going to the Republic of Ireland or elsewhere in the EU, would be subject to such checks.
- As we move into the busier period of the year, it is important for customers to take these factors into account when arranging shipments. Please ensure all consignments are booked pre-meditatively and to be cautious with delays. With queues at channel crossings to be expected, as we saw last month, and with factory shutdowns throughout Europe in mind, a smooth remainder of summer is not to be expected.

CUSTOMS INSIGHTS: CHIEF TO CDS MIGRATION – ARE YOU READY FOR THE MOVE?

KEY TOPICS

- In 2021, HMRC announced after nearly 30 years, the closure of its Customs Handling of Import and Export Freight (CHIEF) system by 31st March 2023, as it was felt that the system was no longer fit for purpose.

The CHIEF closure is planned in two stages;

- 30th September 2022 – Import declarations to close on CHIEF
- 31st March 2023 – Export declarations to close on CHIEF and the National Exports System (NES)
- The closure of CHIEF means that you and your business will need to be up to speed with all of the changes, any new legislation coming into play and of course using the new CDS system.
- The closure will also see HMRC's Customs Declaration Service (CDS) brought into service as the UK's single customs platform.
- It is hoped that the CDS system, already in use in Northern Ireland, will be more secure, adaptable, reliable, resilient and cost effective, plus it is fully compliant with Union Customs Code (UCC).
- The governments long-term plans are that the CDS system will have the flexibility to grow in-line with their ambitious trade plans to have the world's most efficient customs system by 2025.
- Like most governmental platforms, there are strict procedures and a set up process to follow, before you can become fully operational on the CDS system.
- As your compliance experts, we are committed to making the migration from CHIEF to CDS as smooth as possible for you, which is why we have compiled the following guide CHIEF to CDS Migration Guide CLICK HERE.

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COMPLY DIRECT OVERVIEW

What is Extended Producer Responsibility and how does it impact my small business?

KEY TOPICS

- The reform of the current packaging Producer Responsibility regulations to a system of Extended Producer Responsibility will bring a new requirement for smaller businesses that have never been obligated in these packaging regulations before. Small businesses that meet a certain threshold will have to pay an annual fee to the regulator and report annual packaging data.
- This article intends to give newly obligated small businesses an overview of Extended Producer Responsibility, help them determine if they are obligated under EPR and inform them of the role they will play, and the action they need to take as part of this new system.

What is Producer Responsibility and Extended Producer Responsibility?

- Producer Responsibility and Extended Producer Responsibility are both policy approaches used in the waste management field.
- *A producer is an organisation that manufactures, handles, utilises, or sells a certain type of product/goods that will become waste
- Currently, there are Producer Responsibility regulations in place in the UK for packaging, electrical and electronic equipment (EEE), and batteries. Companies that meet

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COMPLY DIRECT OVERVIEW

KEY TOPICS

certain thresholds must comply to these regulations, which involves (1) submitting data on the amount of packaging/EEE/batteries handled or placed on the UK market and then (2) offsetting this amount through the purchase of evidence notes that demonstrate 1t of recycling of packaging/EEE/batteries has occurred. Through this system, the producers of packaging/WEEE/batteries handling and placing them on the market contribute to funding the recycling of these items when they become waste.

Packaging Producer Responsibility

- Under the current packaging Producer Responsibility regulations, producers do only make a contribution to the full net costs of managing packaging when it becomes waste. The remaining costs are funded by Local Authorities through taxpayer money to collect our household packaging waste (see example diagram below), or private waste management companies paid for by businesses to collect commercial packaging waste.
- Extended Producer Responsibility transfers the responsibility of full net costs of managing packaging waste to the packaging producers, extending that current responsibility of funding a contribution, to funding the full net costs instead.

Packaging Extended Producer Responsibility (PEPR)

- The Government have consulted on implementing the Extended Producer Responsibility approach for packaging twice. We received their latest consultation feedback in Spring 2022, outlining how PEPR will be implemented from 2024 replacing the current system. It stated that the thresholds to be obligated in the current packaging Producer Responsibility system will remain for PEPR.

A company must meet both thresholds:

- Annual turnover of £2 million or more in most recent annual accounts

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COMPLY DIRECT OVERVIEW

KEY TOPICS

- Handle 50t or more packaging during a calendar year

Where do small businesses come into packaging Extended Producer Responsibility?

A lower threshold will be introduced to bring smaller businesses into PEPR; those businesses exceeding this threshold will be referred to as a 'small organisation'. This lower threshold will apply to companies that meet one of the following:

- Annual turnover between £1 - £2 million and handle and supply over 25t of packaging through the UK market in a calendar year

OR

- Annual turnover over £1 million and handle and supply between 25t and 50t of packaging through the UK market in a calendar year

Join Comply Direct's upcoming webinar Extended Producer Responsibility (EPR) – The newly obligated! on Tuesday 13 September

Your annual turnover should be based on your most recent annual accounts.

What does it mean to 'handle' packaging?

Handling means you do all of the following:

- Carry out one or more of the activities in the activity list or have these activities carried out on your behalf
- Own the packaging on which the activities are carried out
- Supply packaging or packaging materials at any stage in the chain or to the final user of the packaging
- You are not handling packaging or packaging materials you use internally within your

COMPLY DIRECT OVERVIEW

KEY TOPICS

business.

So, what does my small business need to do?

To comply with the regulations, you must:

- Take steps to record data about all the empty packaging and packaged goods you handle and supply through the UK market from 1 January 2023
- Register for the EPR for packaging online service (registration opens for small organisations in 2024)
- Pay an annual fee to the environmental regulator from 2024
- Submit data about empty packaging and packaged goods you handled or supplied through the UK market throughout 2023
- You'll need to submit your data between 1 January 2024 and 1 April 2024. If you miss the deadline, you may need to pay a penalty charge.
- If your business meets that lower threshold to class as a 'small organisation' in EPR and would like to find out how Comply Direct can support you, please do get in touch at consultation@complydirect.com
- Alternatively, join Comply Direct's upcoming webinar Extended Producer Responsibility (EPR) – The newly obligated! on Tuesday 13 September where we will share any updates from DEFRA on the impact on small business and go further into detail on what you will need to do come implementation. Click here to register your free place.

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