

# OEC NEWS

OUR EXPERTISE YOUR ADVANTAGE

## LATEST TRENDS IN CONTAINER SHIPPING

IMO 2020, DIGITALIZATION, CAPACITY  
CONTROL & CONSOLIDATION

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## 5 THINGS TO KNOW ABOUT SHIPPING AIR FREIGHT

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## ST. PATRICK'S DAY FUN FACTS

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ABOUT  
OEC GROUP



Every year on the first weekend in March, thought leaders in the global container shipping industry gather in Long Beach, California for the Trans-Pacific Maritime Conference (TPM). Now in its 19th year, TPM provides a forum for shippers, carriers, NVOCCs and other industry peers to discuss the latest market trends and forecasts for the upcoming year. Container shipping is a truly global industry with constantly evolving political, environmental and economic factors that have major impacts on our customer's supply chain. We have outlined the main topics that are predicted to bring significant challenges and changes in container shipping for the coming year.



## IMO 2020

The impending [International Marine Organization \(IMO\) 2020 Low Sulfur Mandate](#) was a leading topic at this year's TPM. Effective January 1, 2020, compliance with regulatory change requires ocean carriers perform costly updates to their vessels or rely on more expensive fuel alternatives; conference speakers assured attendees that the cost would be too great for carriers to bear without sharing some of the burden with importers. The final cost, its method of calculation, and when it will be quoted to customers remain unknown.

CEOs from major global carriers such as Maersk and Hapag Lloyd, have stated that steamship lines have no choice but to pass along

an annual industrywide \$10-\$15 billion bill for compliant fuel to shippers in the form of a floating Bunker Adjustment Factor (BAF) to be adjusted accordingly with market fluctuations. According to Maersk CEO Soren Skou, "If the projections in fuel costs were to come true and lines are unable to

pass that on to customers, some will go bankrupt. If you suddenly have a billion-dollar fuel bill, there will be more consolidation."<sup>1</sup> On the other hand, many shippers at TPM expressed concern over the lack of transparency and consistency in pricing for fuel among the ocean liners.





## DIGITALIZATION

The container shipping industry is often criticized for being slow to adopt new technology and its dependence on manual processes. As more importers demand improved visibility into the location of their cargo and simplicity in the booking and tracking processes from their logistics partners, this year's TPM was abound with technology companies offering software as a solution (SaaS) and innovative technology platforms. Although widespread adoption of these solutions is yet to prove its course, automated container tracking and billing systems were two of the most popular among SaaS and platform providers in attendance, demonstrating an industry shift from manual processes towards digitalization.

## CAPACITY CONTROL & CONSOLIDATION

Capacity control and consolidation within the container shipping industry were other hot topics at this year's TPM. Carriers have been somewhat successful in sustaining rates throughout the last quarter of 2018 by controlling their capacity in the market with a plethora of blank (skipped) sailings followed by deployment of extra loaders. This year, carriers are again determined to control capacity at a level that is balanced with demand to avoid the "rate volatility" which has categorized the past several years of the global container shipping



industry. Maersk CEO Soren Skou pointed out in one of the conference sessions that upsizing of vessels and subsequent overcapacity has led to downward pressure on ocean freight rates and created an unsustainable industry for the past several years. If this continues to persist, we could continue to see more mergers, acquisitions and consolidation.<sup>2</sup> This trend, coupled with the cost pressure IMO 2020 mandate poses to carriers' bottom lines, sets the stage for additional consolidation if carriers do not practice capacity discipline themselves.



Sources:

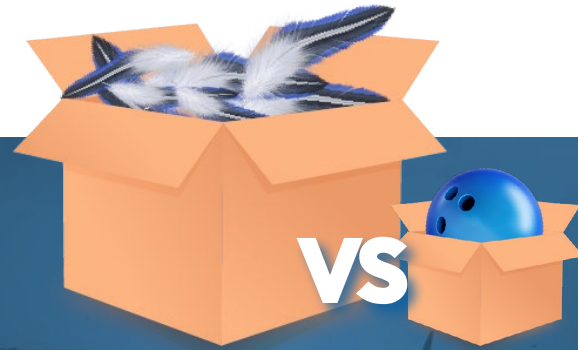
1. [https://www.joc.com/maritime-news/container-lines/maersk-line/maersk-ceo-charts-course-toward-integrated-offering\\_20190307.html?destination=node/3596281](https://www.joc.com/maritime-news/container-lines/maersk-line/maersk-ceo-charts-course-toward-integrated-offering_20190307.html?destination=node/3596281)
2. [https://www.joc.com/maritime-news/container-lines/maersk-line/maersk-ceo-charts-course-toward-integrated-offering\\_20190307.html?destination=node/3596281](https://www.joc.com/maritime-news/container-lines/maersk-line/maersk-ceo-charts-course-toward-integrated-offering_20190307.html?destination=node/3596281)



# 5 THINGS TO KNOW ABOUT SHIPPING AIR FREIGHT

**1** Air freight is not charged the same as ocean freight. Ocean containers are charged by type of equipment being used (20ft, 40ft etc.) while air transport is charged by the cargo weight.

**2**



Also known as dimensional weight, the volumetric weight is a calculation that reflects the density of a package. A less dense item generally occupies more volume of space, in comparison to its actual weight. Following this, chargeable weight is then determined by comparing the volumetric weight of the shipment and its actual weight. The heavier of the two is the chargeable weight.

**3** Types of cargo aircrafts include freighters, airlifters, and cargo jets. They are fixed-wing aircrafts designed or converted to carry cargo rather than passengers. However, if there is allowed space, air cargo is often carried on passenger aircrafts as well!

**4**

How does airline charge dimensional weight?

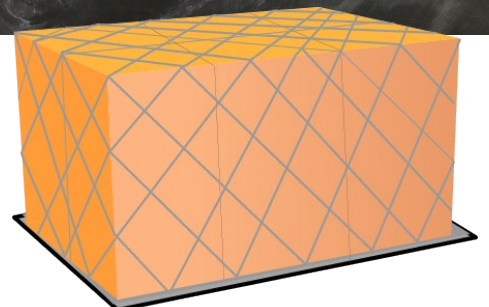
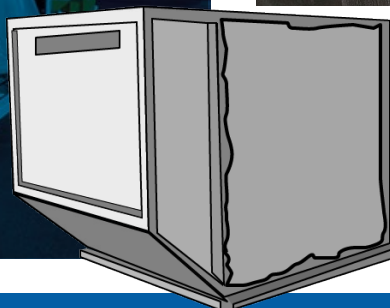
$$\text{Dimensional weight} = \frac{L(\text{IN}) \times W(\text{IN}) \times H(\text{IN})}{194}$$

Or CBM Calculation:

$$L(\text{in}) \times W(\text{in}) \times H(\text{in}) / 1728 / 35.32 \times \text{Total piece count} = \text{CBM}$$

$$\text{Chargeable Weight (KG)} = \text{CBM} \times 166.73.$$

**5** What is a ULD?  
A unit load device (ULD) is a pallet or container used to load luggage, freight, or mail on a cargo aircraft. It allows a large quantity of cargo to be bundled into a single unit. ULDs are also known as “cookie sheets”!





# St. Patrick's Day

## FUN FACTS

**400,000 people** come out to watch the Chicago River turn green! The dye is actually **orange** before being poured into the river- contact with water makes it turn **green**.

The total expected spending for St. Patrick's Day this year is **\$5.61 billion!**

The first St. Patrick's Parade did **NOT** take place in Ireland- it was in **Boston in 1737**, with more than a million people continually attending every year!

**13 million pints** of Guinness are consumed worldwide by those who take part in the festivities! Which is about **185 TEUs** filled with beer.

**Corned beef** is a St. Patrick's Day staple – more than **30%** of the U.S. population enjoys the traditional Irish dish on this holiday.

Sources:

- <https://nrf.com/st-patricks-day-data-center>
- <http://mentalfloss.com/article/62220/what-do-they-use-dye-chicago-river-green-st-patricks-day>
- <https://www.rehripacific.com/green-beer-good-cheer-logistics-st-patricks-day/>





# ABOUT OEC GROUP

At OEC Group, we have demonstrated our commitment to customer service in trans-Pacific trade for more than 35 years. Founded in 1981, OEC Group had a vision to provide comprehensive logistics services to clients. Today OEC Group serves destinations throughout the world and has grown into one of the leading logistics providers from Asia to North America. With offices in over fifty countries, we take pride in being close to your cargo at all times.

Proximity of our OEC logistics professionals to your cargo enables us to stay on top of relevant market trade intelligence. Our Asia offices bridge the connection between you and your supplier, bringing additional insight to the entirety of your supply chain.

OEC Group is monitoring and adapting to the changing market. We are well positioned to make continuous improvements to your supply chain using the fastest, most efficient and cost-effective services available. We work tirelessly to stay on top of the ever-changing logistics industry with the goal of delivering the most current information and services to you, our customer.

Our business is making our logistics expertise, your competitive advantage.