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Irish International Freight Association



Dear Garvan,

Welcome to the **March** edition of Irish Freight & Logistics Monthly. You have been included within our mailing list because we consider you to be a valuable contributor to the industry.

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Ireland's Shipping Industry Eyes Improving Fortunes



The major players on the Irish shipping scene seem to have survived the downturn relatively intact including Arklow Shipping, one of Ireland's biggest shipping companies as reported recently by Lloyds. They entered the recession in good shape financially and is not excluding the possibility of acquisitions.

Decreased freight volumes have been witnessed as output from Irish factories has dropped off on falling demand. Weaker freight volumes were also experienced by Irish Continental Group who posted a much smaller operating profit for the first half of 2009 at E7.1m compared with E17.5m for the first half of 2008. The divisional performance distribution saw ferries down 2.9%, passenger traffic fall 8.8% and cars drop 5.9%. But ro-ro freight experienced a "sharp reduction" leading to a 17% slump.

Figures from the Irish Maritime Development Institute confirm a decline across all maritime trades with bulk cargo turning in a particularly dire performance.

This is linked to what has been happening in the domestic economy, a big proportion of which up until 2006, was built around the construction sector. By way of illustration, in 2005, construction comprised 11.5% of Ireland's gross domestic product; today, it is 3.3%. The drop in domestic construction activity goes some way to account for the fall off in bulk traffic.

Initial estimates for the full year in 2009 pointed to severe volume corrections across all five key market segments: lo-lo, ro-ro, liquid, dry and break bulk. Each market segment recorded a 36-month volume low at varying points in 2009. The lo-lo and ro-ro markets appear to have declined more or less in line with our forecast of approximately 23% and 15% respectively.

Part of the shrinking trade picture involved a stocks drawdown. As trade finance and credit started to dissolve, many companies were focused on reducing exposure to stock and creating as much liquidity and cash flow as possible, while also reducing their exposure to trade debtors. Small upward adjustments in import volumes were notable in the third quarter, which was partly attributed to some replenishment of stock inventories coupled with improved optimism in consumer confidence ahead of the Christmas period.

The conclusion on the state of the markets echoes the more positive view. Overall, most markets appeared to have bottomed out during 2009 with some marginal volume recovery notable. That notion that things are beginning to improve, does have currency. A senior manager at Arklow Shipping believes that "the volume is beginning to return" to the market. But they remains cautious as any recovery will be gradual.

But if the downturn does seem to have passed its worst, where does that leave shipping? The two tasks facing the Irish economy are to reduce debt and boost exports. On the latter, the focus is on high-value services of which shipping could play a part. A new export strategy is now needed with the vision to increase Ireland's exports by 10% per year," Irish Exporters' Association chief executive John Whelan said last month. "The Bric countries [Brazil, Russia, India and China] offer huge opportunities for a wide range of Irish exporters," said Mr Whelan, but he added that small- and medium-sized companies would require help to make the most of those chances.

Another possible ray of sunshine for the Irish shipping sector comes from funds looking for a home. With the collapse of the Irish property business, other sectors have increased their allure to investors, according to one consultant. Jan Christian Berg, of Maritime Management, a company involved in ship management and consultancy, says that he has seen a number of inquiries from investors looking at the sector.



The International Air Transport Association (IATA) announced that February 2010 international scheduled air traffic showed continued strengthening of demand. Compared to February 2009, passenger demand was up 9.5%, while cargo demand grew 26.5%.

These are strong gains, but it must be noted that December 2008 marked the bottom of the cycle for cargo, with little improvement realized by February 2009. Cargo traffic, which plunged much further than passenger demand, has a further 3% to recover in order to return to pre-crisis levels.

"We are moving in the right direction. In two to three months, the industry should be back to pre-recession traffic levels. This is still not a full recovery. The task ahead is to adjust to two years of lost growth," said Giovanni Bisignani, IATA's Director General and CEO.

The highlight for February was improved load factors which stood at 75.5%. Considering that February is traditionally the weakest month for travel, and if seasonally adjusted, this translates to an all-time record February load factor of 79.3%. While demand increased by 9.5%, supply was held back to just 1.9%. Airlines are maintaining normal aircraft utilization on short-haul fleets but long-haul utilization is down over 8% compared to 2008 levels. The resulting increase in unit costs for long-haul operations may delay the positive impact of stronger demand to the bottom line.

International Cargo Demands:

- European airlines are benefiting least from the strong upturn in air freight volumes, with year-on-year growth of just 7.2% in February, compared to 26.5% on average.
- Despite the sluggish US economy, North American airlines have seen a rebound (+34.1%) equivalent to those experienced by Asia-Pacific (+34.5%) and Latin American airlines (+41.9%). While US GDP expanded at 5.9% during the fourth quarter, consumer spending was up just 1.7%. The bulk of the expansion is attributed to businesses restocking inventories.

The global strong air freight upturn has been largely driven by the business inventory cycle. We can expect this part of the cycle to wear-out in the second half of the year when inventories reach normal levels. From that point, we can expect slower growth as air freight will be driven by consumer spending and world trade growth.

FIATA Supports Introduction of the e-AWB



The 2010 Headquarters' Session, held in Zurich from 19-21 March, was once again attended by well over 200 delegates from 57 countries.

At the meeting of the Airfreight Institute it was confirmed that FIATA supports the introduction of the e-AWB and encourages its members in countries where the e-AWB can be used to contact the airlines in order to switch from paper to electronic AWB as soon as feasible.

Good news at the Multimodal Transport Institute session: the Federal Maritime Commission (FMC) has voted to grant a petition by FIATA member NCBFAA, supported by FIATA's second US member TIA and other organizations, for a voluntary exemption from the current tariff publication requirements. The exemption was first requested by FIATA in 1991.

Special focus for the Advisory Body Security Matters has been the new involvement with ICAO. Recognizing its important role in the global transport and logistics industry FIATA was invited to become a member of an ICAO Study Group on Supply Chain Security. FIATA hopes to further develop this new relationship on security within ICAO along side current roles within Dangerous Goods handling.

TPN Moves Into Logistics



The Pallet Network Ireland has become the first major pallet network in the country to expand into logistics, with a storage and pick and pack operation called Hub Site Logistics as reported by the IFW.

Although TPN Ireland has carried out some logistics work in the past, the growth of the pallet network took over existing space. Now another 10,000 sq metres adjacent to TPN's hub in Blanchardstown has become available for expansion, a third of which is currently vacant.

"We already provide a storage and distribution service for companies such as Mothercare, Candyco and Travertine, the tile importer," said CEO Owen Cooke. "Now we have set up a joint venture with Atlantic Pacific, the UK forwarder, to provide a logistics service for its customers wishing to serve the Irish market.

"Import containers come direct to our site from the port. We strip them down, store the pallets and cartons and then pick orders as required for distribution throughout Ireland.

"We can receive orders as late as 17.00 for picking that night and distribution the next day through the TPN network."

A £100,000 investment in high-bay, narrow-aisle racking, a third turret truck and a new warehouse management system - Emydex - supports the logistics operation.

C+G Logistics Complete SQAS Attestation



Warehousing and distribution chemical specialist, C+G Logistics Group has successfully completed SQAS assessment in conjunction with CEFIC and NSAI.

SQAS (Safety and Quality Assessment System) is an objective evaluation system which includes a two day assessment and site inspection by an external assessor by which logistics companies, operating in the chemical sector, are evaluated concerning their performance in the field of quality, safety, health and the environment. Each assessment certificate and report is stored in a central database which can be accessed by a company's potential and existing business partners.

The requirements of SAQS were developed in 1995 by CEFIC (Council for the European Chemical Industries), in cooperation with the European logistic organisations. Employees of the company are assessed against their responsibility taken in the field of logistic operations ("Responsible Care" and "Product Stewardship").

C+G Logistics Group adopts the highest operating standards at all times and by driving quality in our systems, we provide best in class services to the Chemical, Pharmaceutical and its related industries.

CustomsMatters Awarded AEO Status



Chairman of the Revenue Commissioners Mrs Josephine Feehily has awarded Irish company, CustomsMatters, Authorised Economic Operator (AEO) status, making it Ireland's only dedicated customs service provider to have

achieved this prestigious distinction.

AEO status is an internationally recognised standard that is awarded to Economic operators. Making the award, Chairman Mrs. Feehily said "Customs has a duty to do everything it can to facilitate the flow of trade while at the same time fulfilling its fiscal mission and its role in protecting society. The AEO initiative was introduced to lessen the impact of the new safety and security controls that were introduced internationally, following the ongoing threat of terrorism to the global supply chain. It certifies that a business has met certain standards in relation to their security, management systems, compliance with customs rules and ongoing solvency. In this regard, it is very appropriate that we have CustomsMatters here with us today to receive its AEO Certification."

Accepting the awards, Stephen Tracey said that "The award of AEO status is a significant milestone in the company's 21 year history of providing both software and professional services to importers and exporters. This award is the culmination of a lot of hard work from our dedicated trade professionals and positions us to help companies achieve a great degree of compliance in their international supply chains."

CustomsMatters is Ireland's only dedicated professional customs service provider to have achieved AEO status. CustomsMatters provide a range of trade compliance services from Quality Customs Brokerage, trade compliance software, to full Customs planning and duty reduction services.

Maersk Predict Return to Profit in 2010



MAERSK AP Moller-Maersk Group reported a \$1bn loss for 2009 and predicted a modest return to profit this year as reported by Lloyds.

Group chief executive Nils Andersen said the profitability would emerge "due to slightly better rates than we have seen, and due to the fact that we have become more competitive". But the company also said a return to profitability could not be guaranteed. He cautioned that rates at the end of this year would still not be high enough for the container industry including Maersk Line, the largest in the world, to garner "acceptable returns".

Despite this, he expects "significant improvement for Maersk Line" in 2010 following the loss of 2.1bn for the container activities division last year. That shortfall came despite an average bunker price decline of 34% last year. Additionally, slow steaming and other factors led to a 12% drop in bunker consumption.

Overall, Mr Andersen was optimistic the industry would continue to hold the line against competitive price cutting and avoid a rush to restore capacity. "Obviously, we learned a lesson," he said, speaking of the industry as a whole. Maersk Line's capacity profile at the end of last year reflected that theme. The container division owns 253 vessels, with another 278 on time charter, and 43 newbuildings on order.

Mr Andersen said that current rate improvements have been exaggerated by comparisons with rates in 2009, when rates had been at historic lows. He pointed out that rates have now returned to the level seen at the onset of 2009.

The recently reported surprise surge in shipping volume, strong since January, was a result of inventory depletion and restocking, he said, and predicted that the uptick most likely would not last in the upcoming months. Similar to what other lines said last week, Mr Andersen said that Maersk Line failed to anticipate the surge and had been caught short of capacity.

Maersk's \$1bn loss for 2009 compares with a \$3.5bn profit in 2008. Losses were higher than expected, although not dramatically so. Maersk increased market share in 2009.

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Sincerely,

The Logiskills Team