



# The Bottom Line

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## AIRFREIGHT HANDLING CHARGES EXPECTED TO JUMP SIGNIFICANTLY IN 2022

### Summary

A combination of robust demand, limited freight- and manpower-capacity, and rates that are locked in by contract is pushing airline terminal handling agents to warn of increasing fees.

### Background

Freight rates, like other commodities, are subject to market pressures – the eternal balance of supply and demand. Air cargo rates on major east-west trade lanes began to pick up again in August. “These prices are double their level a year ago and are at their highest point since May 2020,” Freightos Group spokeswoman Dafna Farkas said.

But handling is one sector facing significant rises to its cost base – without the ability (or desire) to rip up contracts, thereby excluding them from the financial frenzy everyone else is enjoying. Handlers base their pricing on scheduled and expected volumes, along with labor and facility costs, and their contracts with the airlines are generally long-term. “Handler contracts tend to be between three and five years, with the commercial arrangements fixed within them,” said Robert Fordree, executive VP cargo, for Menzies. “We don’t like to break them, as airlines are very important to us, and the contracts give us an understanding of the volumes coming. We use them to plan ahead, so would be loath to break it. But with schedules and volumes changing dramatically over the past year, while labor and other costs have risen sharply, handlers are finding it difficult to manage.”

### Current Status

Ground handling providers face severe skills shortages and challenges in retaining and recruiting staff as the global airline industry slowly recovers from the Covid-19 pandemic. Pickup services, delivery services, and air cargo operations have seen the most significant level of disruption. For example, in August, shippers and forwarders faced delays of up to seven days on air cargo shipments from Shanghai Pudong International Airport (PVG).

Hanoi, Ho Chi Minh, Phnom Penh, and Bangkok all experienced high levels of demand and delay to both Europe and US destinations. In addition, ocean shipping continues to suffer significant disruption, leading many buyers to look to airfreight, especially in October, as the pressure to stock for holiday shoppers increased.

Staffing shortfalls have been a significant challenge for airlines, which encouraged thousands of workers to take leaves of absence or early retirement

to cut payroll during the pandemic, noted CNBC. “Now they are racing to hire pilots, reservations agents, flight attendants, and other workers. Sick calls have also contributed to disruptions,” the media outlet says. Lower staffing levels make it harder for airlines to recover from routine problems like bad weather. In the United States, a recent spate of high-profile flight cancellations highlights worker shortages at some US airlines, triggering warnings of new delays over the holidays as airlines scramble for staff. Reports say a considerable lack of pilots, flight attendants, gate agents, baggage handlers, and customer service staff is being felt in the world’s large aviation market.

### Impact

Early February will bring more disruptions. The Lunar New Year begins February 1st, and the Beijing Winter Olympics begin February 4th. There has never been a time when the chronic under-investment in the industry has been more noticeable – yet despite the cash piling up in logistics, business for handlers is getting worse and will inevitably result in higher charges. “Costs have gone up for things like diesel, where prices are rising considerably – we’ve seen a 70% rise in fuel costs,” explained Mr. Fordree. “Insurance contributions are rising, and the labor market has changed dramatically.” He noted a shrinking pool of labor around airports and the dearth of drivers, leading to higher costs. As a result, he warned, forwarders can expect to see a double-digit rise in terminal handling charges next year.

### RESOURCES

[Air Freight Peak Season Disruption](#) (Ligentia)

[Delays of Seven Days for Shanghai Cargo While 'Super Peak' Approaches](#) (AirCargo News)

[China Air Cargo Disruptions Advance 'Super Peak' as Prices Soar After Shanghai Terminal Closure](#) (South China Morning Post)

[Cost-hit Air Cargo Handlers Warn of Double-digit Rise in Charges](#) (The LoadStar)

[Staff Shortages Threaten to Hinder Global Airline Recovery](#) (Gulf Times)

[SE Asia Logistics Report Predicts Ongoing Freight Delays](#) (SupplyChain Digital)