GSF News

May 2020

GSF News is a confidential briefing available to all GSF Member Organisations and Shipper Members

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Secretary General's comments

As the May edition of *GSF News* is brought together by the Secretariat a gradual resumption of business activity is underway. In several countries around the world, governments have announced a partial lifting of lockdown and stay-at-home orders and limited social and commercial activities are being allowed to resume, albeit with social distancing measures in place. Shippers will be hoping for some recovery in trade and logistics flows in the coming weeks. Shipping lines likelwise, judging by the flurry of rate and surcharge announcements in the final days of the month

The media is awash with forecasts on how the world will look after the Covid Crisis. Many will prove to be over-gloomy there is no doubt that global trade and logistics will be in a different place compared to the beginning of the year. Back then our biggest worry was the price of low-sulphur fuel oil. By mid-year the main questions shippers asked by shippers will be "*Will my traditional customers/suppliers still be in business? And is the shipping line or airline I use still operating the services I need at a price I am prepared to pay?"*

Your Secretary General was asked to contribute to a discussion about the future of global logistics by the organisers of the *Breakbulk Europe* conference that should have been held in Bremen, Germany on 27 May. Instead, speakers contributed to an on-line webinar that attracted over 160 delegates. With plenty of speakers commenting on what carriers and forwarders would be doing in future, GSF's contribution focussed on the demand-side of the equation and pointed out that service providers' activities would be a product of the volumes of goods traded (by shippers) which would ultimately depend partly on the health of the global economy but also on several other crucial factors important factors that were already in play before Covid-19 struck and have further developed throughout the Crisis. GSF went on to identify the following seven factors that will be influencing future global trading patterns over the coming months, and which should be on the radar of anyone attempting to forecast future demand for international freight and logistics services:

1. **Consumer spending**
   Many Central Banks and national finance ministries have warned that a V-shaped recovery that was initially hoped for (where economies bounce-back to pre-Crisis levels quite quickly) is now unlikely to happen because the return of consumer demand will be slower than initially thought. This is mainly due to far more people becoming unemployed than was expected with even more facing job insecurity and severely limiting consumer confidence and household budgets for some time. This is forcing manufacturing businesses to assess carefully the market for their output. At the same time the structure of the retail sector is predicted to have changed out of recognition due to the confidence shoppers have gained with on-line ordering over the past nine weeks, usually from smaller traders and suppliers with few overheads or legacy assets. This transition will change the size and frequency of orders in supply chains and further reduce the weight per shipment size, a feature already reported by some parcel carriers. Entirely new structures and business models may be needed to reliably supply these new channels to market.

2. **Sourcing strategies**
   Many businesses have a Business Continuity Plan, but few would have factored-in the shut-down of such a large part of the global economy in such a short time for so long a period. As these plans are revised 'to get ready for the next one' there is a high chance that procurement managers will be looking to diversify sources of goods to spread exposure across multiple suppliers and countries. There may even be corporate bans on single-source or single-country suppliers. Expect fragmentation and greater complexity of supply chains as a result, making the shippers job more demanding as well as eroding the concentration of trades that that the present generations of mega-ships and wide-bodied aircraft were designed to serve.

3. **Supply chain de-risking**
   Similarly, logistics businesses will be reviewing their learnings from the Covid Crisis and planning to avoid the same costs and mistakes should it happen again. This will doubtless include diversifying partnerships and preparing contingency plans for loss of access to markets and assets. Crucially, the capacity and capability of corporate IT systems was brought into sharp focus by the need for remote working, and to avoid the hazards to health of handling paper documents during a viral pandemic. Digitisation of supply chains is an overdue and obvious response to the risk of future business interruption for carriers, forwarders, ports and even Customs and border enforcement agencies. Expect this to feature in many service providers' plans.

4. **Trade wars**

This is perhaps the least predictable of the factors but the one with the greatest potential impact. As governments of the largest trading nations use trade policy as part of their conduct of foreign relations, shippers become the unwitting victims of higher tariffs, increased trade scrutiny or even outright prohibitions and sanctions on what they can send and where they can send it. Many commentators are predicting 'the end of globalisation as we know it' and a period of 'on-shoring' of production, but it will take some hefty tariffs and/or sanctions to overcome the deeply embedded comparative advantage of most producing countries. What can be said with confidence is that shippers will be in the front-line of these changes endeavouring to keep the world trading, within any new trading rules.

5. **Climate change policies**

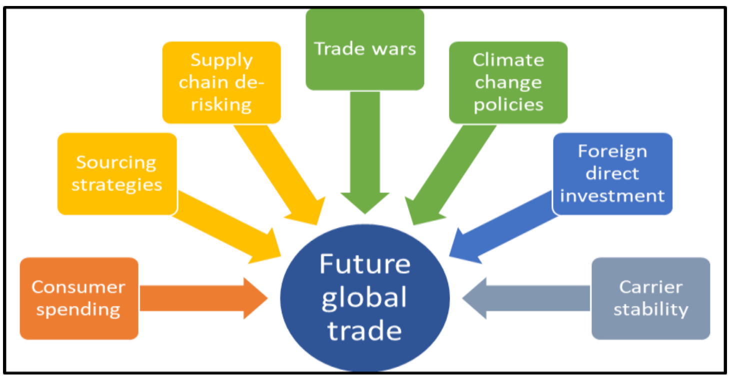
A feature of the depressed commercial and social activity during the Covid Crisis has been a significant reduction in greenhouse gas emissions and of pollutants responsible for poor air quality. Whilst these are too small to have significant impact on global warming in the long-term Governments are being encouraged to capitalise on the experience and to ensure a 'green' recovery from Covid-19, through new taxes and charges as well as incentives for use of low-Carbon technologies. If implemented, these policies could have a direct impact on the cost and availability of international shipping and air freight, which shippers will need to factor in, as well as temper the speed and nature of the recovery in key economies, as consumers switch to less carbon intensive life-styles.

6. **Foreign direct investment**

Many activities that generate demand for logistics services are funded by investments from outside the country where they are made, such as production facilities and construction projects. Given the tumbling values of shares on stock markets around the world and the changed priorities of sponsoring governments the flows of private and public funds may be constrained or re-directed. Conversely, some private investors and several sovereign wealth funds have seized the opportunity to invest in distressed businesses whilst their valuations are low, triggering protectionist responses by governments to protect prized national champions

7. **Carrier stability**

Whatever the factors influencing the future demand for international trade, shippers will need a stable supply-side offering from shipping lines, airlines and overland service providers to physically move it. The sudden and near-total shut-down of international travel and transport markets has left many carriers and logistics providers in precarious financial situations. Several airlines have sought creditor-protection or passed into administration. Others are filling vacant passenger seats with revenue-generating cargo as a temporary measure. Freighter services are maxed out. Most face highly uncertain futures as passenger flights (and the belly-hold cargo capacity associated with them) are not expected to recover until 2023. Container shipping lines are signalling they are 'manoeuvring with difficulty' but none have yet sent up a distress flare. Several have benefitted from emergency government support. Most have been helped by the maintenance of shipping rates at or above pre-Crisis levels brought about by record levels of cancelled sailings and idled vessels, plus a blizzard of new surcharges, not all of which seen justified. But historic levels of debt, commitments to new mega-vessel deliveries and the uncertainties of future trade volumes will make carriers' prospects a priority focus for shippers over the coming months.



COVID-19 CRISIS

OECD tracks container shipping impacts

The International Transport Forum, part of the OECD, has published an initial assessment of the impact of the Covid Crisis on the global container shipping industry. The report charts the state of the market at the end of March using data supplied by leading shipping industry consultancies Drewry, Alphaliner and Sea-Intelligence. It confirms the experience of many shippers that freight rates have remained firm despite a dramatic reduction in demand and frequency of sailings. This has been achieved by the co-ordinated cancellation of sailings and idling of vessels, says ITF. Data from Alphaliner shows idled capacity reaching 2.5 million teu at the end of March.

The ITF report calls on governments to use the Covid Crisis to address unfair taxation advantages and other state support enjoyed by shipping lines and warns of a moral hazard where the likelihood of government bailouts in event of bankruptcy increases risk-taking by shipping lines.

Links

ITF Brief: Global Container Shipping and the Coronavirus Crisis

ITF Coronavirus Hub

National Covid developments reported by GSF members

GSF members are invited to report their activities in support of shippers and to update on their representations to their Governments on the adoption of policies that support shippers' activities during and after the Covid Crisis. The following reports have been submitted to the Secretariat.

Australia

Australian shippers have had more than their fair share of challenges in recent months with chronic drought conditions and the devastating bush fires preceding the Covid-19 lockdown of the economy. The Australian Peak Shippers Association, part of the Freight and Trade Alliance, has been supporting its members and advocating practical pro-shipper policies throughout these times. FTA-APSA produces a monthly summary report on advocacy actions taken.

In addition, APSA has challenged the legitimacy of stevedore-imposed surcharges that are affecting exporters of goods through Australian ports. This has included representations to the federal and state governments.

Links:

APSA Covid-19 Status Report May 2020

FTA/APSA campaign to end Terminal Access Charges

Nigeria

The Nigerian Shippers' Council has rounded up the first phase of its COVID-19 sensitization for the maritime community. The 3-day programme which started on Wednesday 13 May, 2020, kicked off at the Headquarters of the Council with the Executive Secretary/CEO, Mr. Hassan Bello, joined by the Council's Directors of Regulatory Services and Consumer Affairs, Ms. Ifeoma Ezedinma and Chief Cajetan Agu respectively, presenting handgloves, sanitizers and masks to the leaders of seven trucking associations.

Speaking at the occasion, Mr. Bello said NSC considered it part of its responsibility to ensure the safety of truckers as they are silent facilitators of Nigeria's economy. He commended them for their cooperation in acceding to NSC's request to reduce their fees during the period of the lockdown.

He reminded them that they are primarily responsible for their own well-being. He urged them to do everything to stay safe as their families and the nation need them.

Responding on behalf of the trucking associations, Comrade Stephen Okafor, Coordinator of Committee of Maritime Truck Unions & Associations, COMTUA, commended the Executive Secretary describing him as a partner in progress. He assured him of their cooperation in resetting Nigeria's post-COVID-19 economy.

The sensitization programme then moved to the terminals and shipping companies where the NCDC hygienist, Moji Ayorinde under the direction of Dr.

Everistus Aniaku who is the head of emergency operations and National Response Team on COVID-19 in Lagos State, gave talks on how to protect oneself from contracting COVID-19. She demonstrated the correct method to wear a mask, hand washing, hand sanitization and physical distancing among others. The Port Health Services, an arm of the Federal Ministry of Health, was also on hand to speak on precautions that port users and workers need to take in this period of COVID-19 pandemic. Port Health Services was represented by Messrs Salami Najeem and Yusuf Nasiru, both Chief Environmental Health Assistants.

The attentive audiences at the various locations engaged the NCDC and Port Health Services teams with questions as well as seeking clarifications. Over 100 stakeholders attended this first phase of the programme. Participants were made up of freight forwarders and staff of the shipping companies and terminals.

Participants are expected to cascade the lessons as the dictates of physical distancing could not allow for all stakeholders within the different terminals and shipping companies to attend the sessions. Participants received masks and sanitizers courtesy of Nigerian Shippers' Council.

This article was prepared by Rakiya Zubairu, Head of Public Relations at the Nigerian Shippers Council.

Links:
Pictures of the NSC Covid-19 sensitization programme

Nigerian Shippers' Council website

United Kingdom

The Freight Transport Association has teamed up with the Chartered Institute of Logistics and Transport (CILT) to produce a Covid-19 Good Practice Guide, offering guidance on protecting employees returning to work in logistics businesses. Designed to be used in conjunction with the official UK government guidance on Safer Workplaces, the document shares practical advice from FTA and CILT members on how transport operators and logistics businesses can restart operations safely, effectively and quickly as the UK emerges from lockdown. Aspects covered include risk assessments; social distancing in the workplace; cleaning of the workplace; and PPE and face coverings.

Links:
FTA/CILT Covid-19 Good Practice Guide

FTA Coronavirus Advice Hub

Chartered Institute of Logistics and Transport (UK)

UK Government Covid-19 Working Safely advice

United States

The National Industrial Transportation League (NITL) in Washington, DC is pleased to provide an important and beneficial development for shippers doing business in the United States. A longstanding shipper grievance concerning the imposition of demurrage and detention penalties has been favorably addressed by the Federal Maritime Commission (FMC). Shippers in other countries may wish to use this recent decision by the FMC as a model for proposals to take to their governments.

All participants in the global marine transportation system understand the practice of charging *demurrage* for equipment (primarily containers) not picked up within the allotted "free time", or *detention* for failure to return equipment to a terminal or carrier on time. Demurrage and detention penalties are well-established and accepted tools to promote freight fluidity.

However, shippers have long been frustrated by demurrage and detention penalties imposed by carriers when circumstances beyond their control have caused the delay. For example, marine terminals will typically close in very severe weather conditions. Closures have also occurred during protracted labor disputes. In recent years terminals have experienced operational chaos caused by extreme congestion induced by the new ultra-large ships they are compelled to service. In these and similar examples, shippers have been "fined" for failure to pick up or return containers on time, leading many to allege that carriers were using these penalty fees as a revenue enhancement rather than as an incentive to move freight.

NITL led a large coalition of shippers, truckers and others in petitioning the FMC to address their complaint against these unfair penalties. The FMC accepted the petition, held a public hearing and engaged in a lengthy fact-finding exercise, giving all parties ample opportunities to express their views. At the end of April, the FMC issued a final interpretative rule on ocean carrier and marine terminal demurrage and detention practices. The rule runs nearly 100 pages and provides important and extensive guidance on the factors the FMC will consider when determining whether demurrage or detention practices and regulations are unjust or unreasonable.

NITL General Counsel Ms. Karyn Booth has prepared a brief summary of the rule and contact information for readers seeking additional information

This article was prepared by Bruce Carlton representing NITL and a director of GSF.

Links:

NITL Briefing on FMC guidance on demurrage and detention charges in US ports

NITL Covid-19 website

Federal Maritime Commission ruling on demurrage and detention under the Shipping Act

Canada

The Freight Management Association has continued posting comprehensive daily updates on developments on its website, including reported impacts on distribution by transport mode and regulatory amendments issued by Transport Canada and other government departments

Link:
Freight Management Association

Please let the GSF Secretariat know of your experiences of shipping goods during the Covid Crisis and actions secured to support shippers: secretariat@globalshippersforum.com

MARKET REGULATION & COMPETITION

New service provides direct Ireland-USA connection

International Container Lines is adding the port of Cork to its transatlantic sailing schedule from 6 June. This will provide a direct connection for Irish shippers to the United States for the first time in many years. The service will be provided as part of the ICL loop linking Pennsylvania and Wilmington in the US with Southampton in the UK and Antwerp in Belgium. A weekly call will be made in Cork. Once completed, vessels will be able to use the new €80 million Cork Container Terminal in Ringaskiddy, due for opening later this year

Link:

Port of Cork statement:

Little prospect of rate recovery in 2020, says BIMCO …

Industry forecasts remain gloomy about the prospects of a rapid recovery in the demand for container shipping and predict sustained pressure on rates for the remainder of the year. In its analysis released on 27 May BIMCO reported global container shipping volumes had fallen by 5.1% in the first quarter of 2020 compared with last year, with volumes down by 2.1m teu at 38.2m teu. BIMCO also found that spot and contract rates from the Far East to the US have remained close to, or above, levels at the start of the year. However, spot rates to Europe dropped by 29.9% since the start of the year and contract rates by 5.4%. For a period in April eastbound rates to Asia were higher than rates to Europe, a reversal of the usual headhaul/backhaul ratio.

Link:

BIMCO container shipping market report

… but that doesn't stop shipping lines from trying!

Despite depressed demand and continuing uncertainty about future trading conditions the final days of May saw a flurry of announcements of rate increases and surcharge revisions by the major shipping lines. Maersk, CMA-CGM and Hapag Lloyd all posted revised general rate increases or made rate restoration announcements, whilst revising or withdrawing some peak season surcharges. All the new rate announcements took effect from 1 June but would expire by the end of the month, implying an expectation of further review. Members should consult the websites of each shipping lines for full details.

Links:

Maersk rates announcements

CMA-CGM rates announcements

Hapag Lloyd customer announcements

And then there is the vessel procurement policy …

On 23 April Huyundi Merchant Marine launched the *HMM Algeciras*, which at a capacity of 23,964 teu is (currently) the largest container ship in the world!

Algeciras will be deployed on Far East trades and will offer HMM up to 10 per cent lower operating costs compared to the vessels she displaces. This assumes the container slots can be filled in a shrunken market and in competition with other carriers with their own Mega-vessels to fill.

The GSF Secretariat salutes the enormity of this achievement of nautical engineering but was wondering if the vessel was named for the only deep-water port in Europe able to accommodate her? Then we learnt that *Algeciras* is just the first of twelve such vessels ordered in this class. So, the task before us is to anticipate HMM's naming policy and (assuming they won't name a ship after somewhere it can never go) think of twelve ports in the world able to accommodate a 400m long, 61m wide, 33 m high, 24,000 teu vessel. Suggestions from members welcome, by email to the usual address please.

Link:

HMM Algeciras the largest container ship in the world

SAFETY

China introduces VGM legislation and fines

The Chinese maritime authorities have issued a *Decision of Amendments to the Regulations of the Supervision on the Safety of Ships.* The amendment makes the requirement on a shipper to verify the gross mass of a container before it is loaded aboard ship a legal requirement with associated penalties for non-compliance. Carriers that load unverified containers will also be fined. The amendments will come into effect on 1 June 2020 and seem intended to ratify the VGM requirements of the SOLAS Convention in Chinese maritime law. The most important changes are as follows:

1. The new added Art. 47 provides that before shipment, Shipper shall verify the weight of the container, and make sure that the VGM (Verified Gross Mass) of the container does not exceed the maximum gross operating mass of the container. In addition, the error of VGM shall be no more than 5% and the maximum error shall not exceed 1 ton. Shipper shall indicate the verification

information, such as VGM, weighing method and verification statement etc., in the shipping document, and provide the document to Carrier and Terminal Operator. Carrier cannot load those containers that do not have verification information or the VGM exceeds the maximum gross mass;

2. Art. 56 is added and provides that under the following circumstances, a fine of RMB1,000 to RMB30,000 will be imposed:

i) on the Shipper if the error between VGM and actual weight exceed either 5% or 1 ton;

ii) on the Carrier if they load those containers that do not have verification information or the VGM exceeds the maximum gross mass of the container.

3. Definition of the maximum gross mass is added in sub-clause 4 of Art. 59 clarifying that the maximum gross weight means the maximum gross mass of the whole container along with cargo inside, which shall be marked on the CSC plate of the container.

Shipping lines representatives seem to have been influential in bringing this amendment about, with the World Shipping Council describing the announcement as a "welcome development".

Maersk rolls out Weight Discrepancy Fees

GSF News reported last month that Sealand, part of the Maersk Group, was introducing a VGM discrepancy fee where the measured container weight differed from the shipper's VGM declaration by stated tolerances. During May, the same fees have been announced across the Maersk network and regions. From 1 June 2020, the carrier will carry out checks to ensure that the following conditions are met:

- that the declared VGM equals the weight stated in the **shipping instruction**, within a tolerance of +/-5000 kg
- that the declared VGM does not exceed the **allowable payload** of the container, as stated on its CSC Plate (excluding SOC)
- that the declared VGM is not less than **Tare Weight** of the container

Maersk says a failure in these validations will result in a Weight Discrepancy Fee of $100 per bill of lading. Other carriers are reportedly introducing similar fees and surcharges from the same date.

A major stack collapse off Australia will focus even greater attention on container weights

As justification for the introduction of its new Weight Discrepancy Fee Maersk cited a container stack collapse aboard the Aotea Maersk in January, where several containers exceeded the declared verified gross mass. Carriers sensitivity to container weight issues will be further heightened by the loss of about 40 containers overboard from the 5510 teu vessel APL England on 27 May when she encountered severe weather off Sydney, en route from Ningbo to Melbourne. However, the vessel was detained by the Australian Maritime Safety Authority in Brisbane following an inspection which reportedly revealed shortcomings in structural fittings and lashing arrangments. A full investigation is underway, which undoubtedly will include establishing the accuracy of shippers' VGM declarations.

GSF advice to members on container weights

With carriers introducing new fees for mis-declared VGMs and evidently lobbying national governments to introduce statutory penalties for non-compliance, there seems to be an implication that stack collapses are primarily caused by inaccurate weight declarations by shippers. This is neither a true nor fair generalisation, as several recent official investigations into container losses and stack collapses have revealed. The GSF Secretariat is preparing a *Briefing Note* on the background to the container weight issue and on these recent carrier announcements to assist members in responding to requests for comment from members, governments and the media.

ENVIRONMENT

Australia drops Biosecurity Levy proposal

In a notable victory for the advocacy efforts of the Australian Peak Shippers Association (APSA) the Australian federal government has dropped plans to introduce a AUS$ 10 per teu levy on every inbound container. The Onshore Biosecurity levy was intended to fund greater biosecurity measures at the Australian border, but this will now be funded through existing measures APSA led industry opposition to the proposals, questioning the economic impact on importers given the current Covid Crisis and the means by which it would be collected and enforced.

TRADE FACILITATION

UK publishes new Customs tariff for 2021

The UK Government has published a revised Customs tariff that will apply to goods entering the country from 1 January 2021. This will include goods moving from the European Union if the UK fails to reach a separate trade deal with the EU by that date.

The *UK Global Tariff* will replace the current EU external tariff which continues to apply to UK imports during the Transition Period even though the UK left the EU on 31 January. It will apply to all goods except those covered by an exception, including:

- goods from a developing country that pays less or no duty because it's part of the Generalised Scheme of Preferences
- goods from a country that has a trade agreement with the UK
- goods that have a relief or tariff suspension that's operated by the UK

Guidance on the new tariff is available on the UK government's website and includes an online tool for checking the Commodity Code and the new tariff rate for goods. Negotiations between the UK and the EU over a new trade deal are continuing

Links:

UK Global Tariff guidance

UK government Global Tariff checking tool

UK government Commodity Code checking tool

TECHNOLOGY

Digital standards developed for eBill of Lading

The Digital Container Shipping Association (DCSA) has announced it has developed data standards and messaging protocols that would allow electronic transmission of Bills of Lading between contracting parties.

DCSA is a consortium of shipping lines working to automate information handling processes in container shipping. According to DCSA savings of up to $4 billion a year could be made, if just 50 per cent of Bills of Lading were handled electronically.

GSF welcomes this development and has reached out to DCSA to investigate opportunities for joint working. However, GSF is aware that developing data standards is an essential but only partial solution to digitising this core trade document. Unlike waybills and other declarations, Bills of Lading confer ownership and enforceable legal rights to a cargo on the holder and so are inextricably bound to the financing and legal ownership of the goods. Full digitisation of EBoLs requires the committed support and co-operation of financial and legal institutions in order for the initiative to succeed and GSF, an activity which GSF is pursuing with the International Chamber of Commerce (ICCO following agreement at the GSF Annual Meeting in September 2019.

DP World joins Tradelens Blockchain project

A project to develop the use of distributed ledger and Blockchain technologies in global shipping has been boosted by the decision of DP World to join the TradeLens platform, pioneered by IBM and Maersk. As a major global port operator DP World aims to connect all its 82 marine and inland container terminals, as well as feeder companies and logistics divisions with TradeLens.

Links:

Tradelens website

Tradelens statement

DP World statement

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GSF News is a confidential monthly report by the GSF Secretariat sent to indiviuals in organisations which are members of the Global Shippers Forum. If you have any comments on what we are doing or saying on your behalf please do let us know: secretariat@globalshippersforum.com.

If you do not wish to receive future editions please email secretariat@globalshippersforum.com

GSF is the global business organisation representing the views of cargo owners in international supply chains and trade procedures. Its members operate in over 20 countries across five continents promoting safe, competitively efficient and environmentally sustainable trade and logistics.