



FTA
FREIGHT & TRADE ALLIANCE



Australian Peak Shippers
Association Inc. (APSA)

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INTERNATIONAL SHIPPING ABANDON THE RED SEA – IMPLICATIONS FOR AUSTRALIA

Since Friday 15 December 2023, several vessels in the Red Sea and its approaches have come under attack from shore-based installations in Yemen.

Major international containerised shipping lines, Maersk and Hapag Lloyd announced a suspension of movements of all their ships through the Bab-al Mandab Strait, which connects the Red Sea to the Gulf of Aden and the Indian Ocean. Although this predominantly affects ships serving the Asia to North Europe and Mediterranean routes, recent experience has shown there will be serious impacts in other regions if the situation escalates or lasts for a prolonged period.

Paul Zalai, the Director of Freight & Trade Alliance (FTA) and Secretariat of the Australian Peak Shippers Association (APSA) refers to events from March 2021 when the mega-vessel *Ever Given* ran aground in the Suez Canal *“The impact of the waterway closure for 6 days threw vessel schedules internationally into disarray - this may fade into insignificance compared to the current conditions that are likely to continue for a significant period with other shipping lines likely to follow, understandably not wanting to endanger the lives of seafarers, the safety of vessels and the cargoes they carry.”*

“We are likely to know more in coming days - should marine insurers withdraw policies for ships passing through the area or declare the Red Sea a ‘war zone’, shipping lines will be commercially left with little option but to abandon this key waterway.” Zalai said

Zalai says the withdrawal of vessel services from the route will mean their diversion via the Cape of Good Hope *“This will add about 10 days to transit times and estimated arrival dates in North Europe and Mediterranean ports - we can again expect that shipping lines will recover these costs through additional surcharges on cargoes.”*

In an Australian context, Zalai suggests any prolonged closure will add to the costs of goods, already under pressure from the effects of wider inflation, especially if it flows to the supply of oil and natural gas. Zalai also points to disruption at DP World container terminals nationally *“The timing could not be worse as vessel scheduling due to industrial action is already chaotic to and from Australia – the latest global events will further compound the complexity of international trade leaving exporters and importers with a lack of reliable access to and from markets well into the New Year.”*

ABOUT FTA / APSA

Freight & Trade Alliance (FTA) is a peak body for the international trade sector representing more than 500 businesses including Australia’s largest logistics service providers and major importers.

On 1 January 2017, FTA was appointed the Secretariat role for the Australian Peak Shippers Association (APSA). Importantly, APSA is the peak body for Australia’s containerised exporters and importers under Part X of the Competition and Consumer Act 2010 as designated by the Federal Minister of Infrastructure and Transport.

APSA is also a member of the Asian Shippers Alliance (ASA) and has board representation on the Global Shippers Forum (GSF) that represents shippers’ interests and that of their national and regional organisations in Asia, Europe, North and South America, Africa and Australasia.

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