

THE HONG KONG SHIPPERS' COUNCIL

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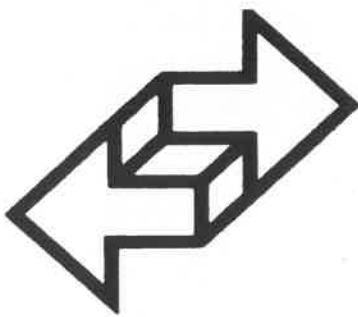
Date: 23 December 2020

To : Executive Committee Members, Hong Kong Shippers' Council

Subject : The 2nd Shipping Alert to Shippers

The sea freight market has deteriorated and the crisis is expected to continue into the 1st quarter 2021. The Hong Kong Shippers' Council has issued the 2nd Shipping Alert. You might consider asking the secretariat of your organisation to distribute to members.

Sunny Ho
Executive Director



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The 2nd Shipping Alert to Shippers

The Hong Kong Shippers' Council wishes to alert shippers that the **sea freight market is rapidly deteriorating, and the current totally undesirable situation is expected to extend into the first quarter 2021.**

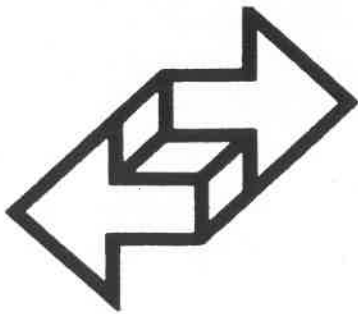
The following are highlights of some of the reported developments:

1. Many main ports are very congested

- UK ports, particularly Felixstowe, are so congested that some shipping lines have been forced to stop calling these ports, and diverted cargo to northern European, French, and Belgium ports. Those containers affected would have to be transhipped back to the U.K. by feeders with substantial delay. Some shipping lines have announced to change routing of their ships to avoid UK ports because of the unacceptable congestion.
- Major European ports including Rotterdam, Antwerp, etc. are reported to be very congested too, and volume is still building up. As holidays are getting close and further city-lockdown is expected, the congestions will be aggravated.
- Some carriers have reported to have stopped accepting export cargo from Europe (especially U.K. and Northern Europe) to Asia in order to avoid the congestion and expedite return of empty containers to Asia.
- Freight rate from Europe to Asia also surged to over US\$5000 a container as a result.
- Similarly, many U.S. ports are reported to be very congested. There reports it is frequent to have over 20 ships queuing in order to get a berth at the main port of Long Beach/Los Angeles.
- Terminals inside are also very congested. Pick-up of import containers and inland movements are seriously disrupted too. Domestic distributions are not smooth.

2. The current disrupted operations is expected to continue into 1st quarter 2021

- Containers are stuck at overseas, and there is no way that shipping lines could increase empty container supply quickly enough to cater for the year end and pre Chinese New Year cargo rush. It is also unlikely that shipping lines or container leasing companies would make very substantial investments in new containers and that there will be time lag even if they wish to.
- The congestions at overseas ports, terminals, and distribution centres, couple with closure of retail outlets, etc. will not be resolved easily. The impact is expected to continue into the 1st quarter 2021.



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- The traditional shipment trough after the Chinese New Year will help, but whether there would be a relief depends on the trade situation and carriers' maneuver in the meantime.

3. Space will be tight and freight rate will stay at ridiculously high levels

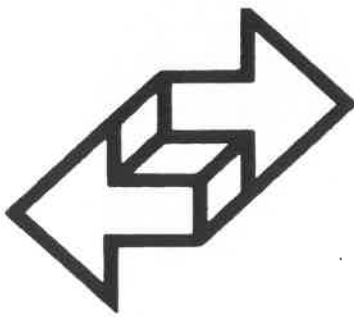
- There are reports that carriers have asked for over US\$10,000 for a 20' container to Europe and US\$1,000 for a 20' container to S. E Asia. These are over 10 folds more than what carriers have been charging. These are record high rates in the past few decades.
- Transpacific rates are more stable as the majority of cargoes are covered by service contract rates. However, the prevailing rates are more than tripled compared with a year ago, and spot rates in the market have also gone rocket high too.
- Freight rates may stay high since there is unlikely to have quick improvements in trade situation.
- The high rates have serious impacts to intra-Asia trade as traders are used to a low-cost environment.

4. Service levels and supply chain reliability are deteriorating

- The port congestion, city lockdown, inland movement disruption, etc. are out of shipping lines (and hence freight forwarders as well)'s control, quick improvements are unlikely. Shippers have to take into account the supply chain would become very unreliable. Shippers cannot count on import, or export in time and as planned. Indeed the situation is expect to deteriorate.
- Besides, some shipping lines have cut short their free storage period for inbound containers, unable to provide containers for confirmed bookings, off load laden export containers even though the containers have been delivered to terminals, or diverted to other ports for discharged for on-carriage to destinations.
- Some Hong Kong importers also reported that some carriers had reduced the free storage period for their inbound cargoes, said to quicken container turnaround time.

5. Beware of surcharges

- Carriers (shipping lines and freight forwarders alike) have put up new charges like Booking Guarantee Fee, Booking Cancellation Penalty Fee, Container Retention Fee, increase in Demurrage Charge, Container Detention Fee, etc. The charges and fees are quite substantial.



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6. What are shipper' organisations doing at the moment?

- Global Shippers' Association, of which The Hong Kong shippers' Council is a member, together with the European Shippers' Council and the European freight forwarder association CLECAT have been lobbying the European Commission to intervene.
- Shippers' organisations in U.S. also requested the Federal Maritime Commission to investigate. Obviously, there is insufficient supply of capacity in the market, and that's hurting the interests of the U.S importers and exporters.
- It is known that some government administrations have started talks with the World Shipping Council, the organization that represents shipping lines' interest on how to resolve the current crisis.

7. What shippers should do at the moment?

- When making deals, shippers should isolate freight charges and related charges and surcharges from obligations i.e. either pass onto the other party, or single out the cost to make it like on actual cost basis. In other words, it is advisable for Hong Kong exporters/sellers to use Free Carrier (FCA)/Free-on-board (FOB) terms, or making freight and other related charges to be separated from the cost of goods with the former be charged on, for example, actual cost basis.
- Not to accept firm (particularly on tight schedule) shipment date, delivery date, etc. Because these are likely to be out of control.
- Communicate well with the carriers and freight forwarders. Keep update on the market situation, check news and reports, etc.
- Prepare for emergency and have alternatives ready.

For enquiry:

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