

GSF SECRETARIAT WEEKLY REPORT

Week 13: Monday, 29 March 2021

Confidential to GSF members



This week ...

The impacts, consequences, and challenges of the Suez Canal closure and what happens next ...

Suez Canal Closure

There is little GSF can add to enlighten the circumstances which closed the Suez Canal in both directions on Tuesday 23 March, due to the grounding of the 20,000 TEU vessel *Ever Given*. However, as of 07:00 UK time Monday 29 March the vessel was reported to have been re-floated but not fully dislodged from the bank of the Canal, and it could still be several hours before the Canal is re-opened and the backlog of some 400 vessels can begin to transit. Even though the immediate 'shipping' crisis may be approaching a resolution, the 'supply chain' crisis it has created will continue, albeit out of the media spotlight. For shippers' the work to manage the impacts is only just starting.

Needless to say, the further disruption to flows of goods will bring more pressure on shippers on top of the continuing challenges from the Covid pandemic. Already, some shipping lines are predicting another peak in spot rates and service disruptions to services lasting several months, due to equipment shortages and vessels being out of position.

For shippers the biggest questions this week will be, "When can I expect my cargoes and at what port will they be delivered?" Neither question can be answered reliably at this stage but as and when Canal transit resumes and diverted vessels approach landfall, shipping lines should be able to provide better predictions.

To support members the GSF Secretariat is working on three specific activities:

1. Provision of information on revised schedules and expected arrivals at ports
2. Media briefings raising awareness of the impacts of the closure for shippers and international trade
3. Monitoring market behaviour to identify changes to price, capacity and service performance

1. Provision of Revised Schedule Information and Expected Arrivals

The quality and frequency of advisory notices from the nine biggest container shipping lines has been patchy. Some lines have dedicated webpages with regularly emailed updates, other are posting only occasional notices or press statements. The Secretariat has compiled the following links to information that was current as of Monday and will endeavour to keep these up to date. However, the information may be updated or replaced at any time.

WEB-LINKS TO SHIPPING LINE CLOSURE ANNOUNCEMENTS & ADVISORIES ON SUEZ CANAL CLOSURE @ 29 March 2021, 08:00 UK time		
OCEAN Alliance	THE Alliance	2M Alliance
CMA CGM	Hapag-Lloyd	Maersk
COSCO	ONE	MSC
Evergreen	YangMing	
OOCL		
ONE		
NOTE: Linked information liable to change or replacement at any time.		

2. Media Briefings

Over the past few days GSF has briefed multiple media outlets on shippers' reaction and perspectives to the incident and the closure of the Canal. GSF's principal messages have been:

- This is a 'calamity' for shippers and for international trade given they were already under immense pressure from the Covid pandemic. The consequences will spread beyond Suez traffic as vessels for future rotations will be out of position and empty containers will not be available for exports.
- Many cargoes are perishable including livestock and fresh produce that may not be in a condition suitable for sale are prolonged delays at sea.
- Diversion of vessels to the south of Africa adds about 5-10 days to Far East – NW Europe voyages, depending on where the vessel is when diverted. Diversion, though expensive for shipping lines, may be necessary in order for deliveries to be maintained.
- Many vessels heading north through the Canal would have made calls at Mediterranean ports and the fate of cargoes on vessels diverted via the Cape of Good Hope need to be announced.
- Options for shippers with urgent cargo yet to load is to seek air freight services but availability of cargo flights may be limited due to reduced air passenger travel during the pandemic. Overland road or rail services from China to Europe are also available
- Once the Canal is re-opened a surge of vessels can be expected to arrive at destination ports within the following few days. This will put pressure on terminal capacity and handling capability and may result in vessels skipping ports or other short-notice changes to schedule. Access to up-to-date information will be vital for shippers to manage inventory and plan container collections from ports.
- Shipping lines need to up their game in how they communicate with their customers. Some are excellent, others less so. Now is the time for shipping lines to 'think Customer, not just Consortia'

3. Monitoring market behaviour to identify changes to price, capacity and service performance

The disruption to services and reduction in capacity will bring pressure on rates and already some shipping lines have predicted "an upward spike" over the next few weeks. However, these effects are not inevitable, nor should they be experienced everywhere. It should not be assumed that customers will have to pay for the consequences of an incident caused by the shipping industry and GSF has already reacted to suggestions of price signalling made by shipping industry representatives in public comments.

GSF will continue to monitor market behaviour through the eight key performance indicators that it regularly reports in the Container Shipping Market Quarterly Review and provide further advice and data to shipper members to support their engagement with shipping lines over rates and service.

Please let us know how the Suez Canal Closure has affected your members and how you are responding to the situation. We are especially interested in the quality of advice shippers are receiving from shipping lines.

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