

THE HONG KONG SHIPPERS' COUNCIL

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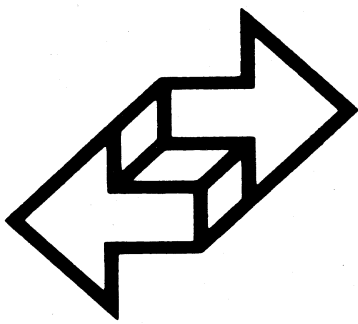
13 August 2021

Shipping Alert 5

Shippers should take precautionary actions for shipping through Ningbo-Zhoushan ports

1. A worker at Ningbo Meidong Container Terminal, tested positive for COVID-19 on 10th August 2021. There were other 10 suspected cases.
2. The Ningbo Meidong terminal suspended operations, including gate and shoreside from 03:30, 11th August 2021.
3. Shipping lines have announced schedule changes and cancellation of sailings.
4. Some sailings have been diverted to other terminals in Ningbo, but many have been cancelled.
5. While the full impact depends on development of the case, because quick actions to contain the development have been taken, the full impact is expected to be less severe than the closure of Yantian Port in late May/June.
6. Shippers shipping through Ningbo-Zhoushan should take full alert of the incident. Many sailings would be cancelled, container exports might encounter difficulties, inbound containers might be diverted, and delays could be expected, and empty containers supply would be further restricted.
7. Shippers please liaise closely with their shipping lines and freight forwarders to avoid difficulties.

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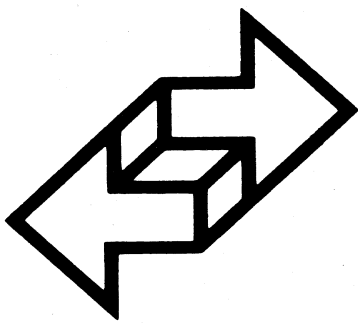
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1 June 2021

Shipping Alert 4

A. Shippers should be alerted of the following developments:

1. Shipping reliability and predictability are deteriorating rapidly and are expected to linger on
 - a. Shippers should note that congestions at world's major ports deteriorate rapidly. Many origin, destination, and transshipment ports, including ports in North America, Europe and Asia, are suffering from serious congestions and operations disruptions. This is caused by lock-down/partial lock-down of major cities; ports, trucking and distribution center operations disruptions; bad weather; shipping lines' schedule disruptions and decisions to roll over containers; industrial (labor) issues at some ports; amongst others factors.
 - b. Shippers should also note that blank sailings and cargo roll-overs have substantially increased. Blank sailings refer to skipping of ports or the whole services, and cargo roll-over means laden containers are being left over at origin and transshipment ports without being loaded onto the booked/intended vessels. It is reported as many as 60% of the containers are being short shipped in April and the percentages are trending upwards. (Note 1)
 - c. Shipping lines' performances vary with regards to the above. Shipping lines like Maersk and MSC/CMA that are able to provide more sailings and wider networks are said to be able to perform better as far as alternative/remedial measures are concerned.
 - d. Container shortage will continue to trouble shippers because turn-around of containers are worsen by the port congestions and schedule disruptions. It is known that shipping lines are also having very tough negotiations with container leasing companies and container manufacturers, and hence there are no prompt and easy solutions. It is known the latter two are demanding tough terms. In this regards, minor cargo origin ports are going to suffer more than the major ports because shipping lines are giving priorities to the latter. Shippers shipping in and out of ASEAN and South Asian ports would have to spend more efforts in shipping arrangements.
 - e. Shippers will have to live with poor shipping reliability and predictability for some times.



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2. Freight rate volatility is worsening

- a. Shipping lines will continue to exploit the market situation to maximize profit. Shipping lines are reported to be providing less space allocation to contracted cargoes, and more to spot cargo and those cargoes that shipping lines can collect high surcharges (such as space guarantee surcharge). Decisions to load, or roll-over cargoes are often made at last minutes, contributing to further uncertainties.
- b. Shipping lines are jacking up both spot rates and contract rates. Spot rates are pushed up further by rejection of bookings, increase of blank sailings, cargo roll-over, and through imposing surcharges. At the same time, shipping lines have announced substantial General Rate Increases (GRIs), and high intended contract rates.
- c. As shipping lines are adjusting their allocations of space for contracted cargo and spot cargo, shippers are indeed making similar arrangements. These actions contribute to further volatility in the market.
- d. Some critics refer the phenomenon to demise of the shipping contract system. While we may not see the whole system collapses, further freight volatility is unavoidable.

B. What shippers should do:

1. Avoid shipping responsibilities when making deals

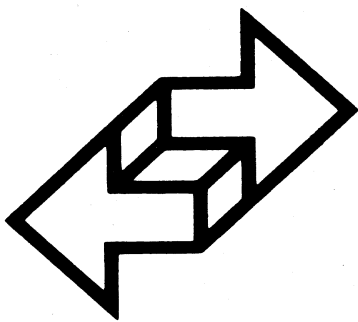
As there are high uncertainties over freight rates and shipping time schedules, shippers should avoid acceptance of shipping responsibilities as far as possible. For exporters, this can be achieved through use of Incoterms including Ex-works; Free Carrier (FCA), Free-on-board (FOB), etc. and avoid Cost and Freight (CFR), Cost, Insurance and Freight (CIF), Delivered at Place (DAP), Delivered Duty Paid (DDP), etc.

2. Review the list of carriers/service providers

It might be necessary for shippers to review or expand its list of carriers and service providers. Shippers should develop a strategy over risk diversifications and mitigations.

3. Develop a strategy over contract and spot cargo

As service contracts may not be able to provide the shipping certainty as in the past, shippers might need to develop a new strategy over contract and spot cargo. It has been reported that shipper lately have been switching more towards spot market in order to effect shipments.



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4. Agree with carriers/service providers a performance evaluation system

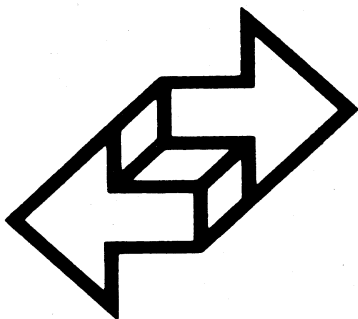
It might be beneficial for shippers to come to agreements with their carriers/service providers on performance evaluation systems. The agreed system might help to gauge the performance of the carriers and service providers, as well as servicing as a constant reminder of their commitments to their clients. It is a good tool for business negotiations in case of changes of market situations.

5. Keep close contact with carriers/service providers, make early bookings and avoid making late changes

It is necessary for shippers to stay on top of the market. Therefore, please keep close contact with your carriers and service providers, make bookings early such as 14 to 21 days in advance, and avoid late changes – in bookings, operations and documents.

Note 1: “By Paul Kelly in News, Sea, Supply Chain Posted May 25, 2021 at 11:23am”

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21 January 2021

Shipping Alert 3

Exporters and importers in the Greater Bay Areas using cross-boundary trucking services should pay attention to the following developments:

1. From 20 Jan 2021, Guangdong authorities will strictly require truck drivers to insert Operation Point Code (作業點編碼) into their Yuekang Code (粵康碼) when they cross the boundary.
2. The Operation Point Code are assigned to the operation points where operations such as loading and unloading of goods could be performed. These operation points could be factory sites, warehouses, or logistics facilities.
3. There reported that in the past few days, in order to reduce the cross boundary traffic, many Operation Point Codes have been cancelled by the local authorities. As a result, the affected exporters and importers would be unable to use cross boundary trucking services.
4. Exporters and importers may consider using the feeder services between Pearl River Delta and Hong Kong as an alternative. However, feeder space is also reported to be very tight. First, there is the usual pre-Chinese New Year cargo rush; second, reduced services due to quarantine requirements of the crew, and third, the usual stoppage of service during the Chinese New Year period.

Advices to exporters, importers and shippers:

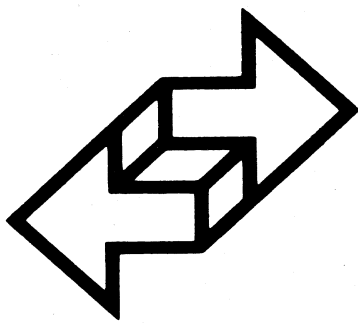
1. Confirm that your Operation Point Code is still valid.
2. Negatively, if cargoes are from or for overseas, shipping via Shenzhen/Guangdong ports could be more practical.
3. If cargoes are for Hong Kong exporters, importers and shippers could explore using feeder services as an alternative. And if the feeders from your location are fully booked, or unavailable, explore whether it is an option to truck and load at nearby ports.
4. It is also worthwhile to explore two-sector trucking (factories to Shenzhen by local trucks, then transfer to cross boundary trucks). Of course, there involves Customs clearance issues, etc.
5. It is necessary to keep close contact with your truckers, feeders, or logistics service providers to minimize unexpected developments.

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23 December 2020

Shipping Alert 2

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.**

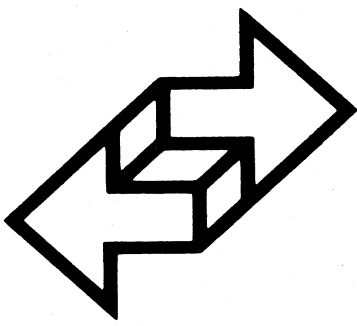
The following are highlights of some of the reported developments:

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

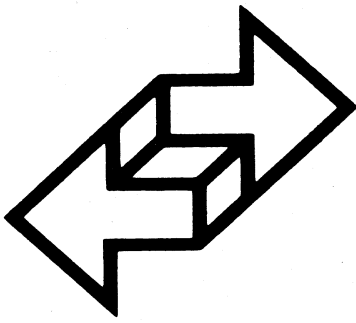
- There are reports that carriers have asked for over US\$10,000 for a 20' container to Europe and US\$1,000 for a 20' container to S. E Asia. These are over 10 folds more than what carriers have been charging. These are record high rates in the past few decades.
- Transpacific rates are more stable 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?

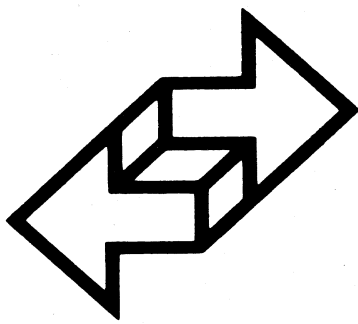
- When making deals, shippers should isolate freight charges and related charges and surcharges from obligations i.e. either pass onto the other party, or single out the cost to make it like on actual cost basis. In other words, it is advisable for Hong Kong exporters/sellers to use Free Carrier (FCA)/Free-on-board (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.

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14 December 2020

Shipping Alert 1

The Council wishes to alert Hong Kong shippers of the current shipping market:

(1) Empty container shortage may aggravate

This is due to:

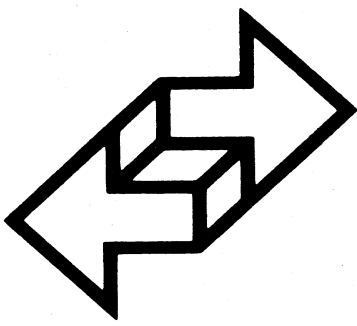
- Shipping lines and container leasing companies have made little investment in new container in the past year;
- Unlikely shipping lines and container leasing companies would make substantial investments in new containers shortly;
- Container movements and availability are disrupted because shipping schedules are heavily disrupted at present. This is due to serious congestions at destination ports; and disruptions of inland movement and distribution.
- Congestions at destination ports unlikely could be resolved quickly;
- National knock-downs may linger.
- Winter holidays will aggravate the problem.
- Return of empty containers from overseas take time and operations are disrupted.

(2) Shipping schedules are very unreliable

- Because many global ports including main ports in Europe, Americas and even Asia are very congested, ships are queuing up, and containers are unable to be picked up, or move inland. Shipping lines frequently resort to port-skips, and even stoppage of certain trade lanes.
- As a result, shipping schedule are very unreliable.

(3) Delay in delivery is common and serious

- Because of disruptions in logistics supply chains which include ocean shipping, landside operations and inland movements, delivery and distribution become uncertain and predictability is compromised.



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(4) Freight rates surged and surcharges are emerging

- Freight rates has doubled or tripled in some major trade lanes.
 - In general, freight rates have surged very substantially.
 - Shipping lines have little intention to put back the idle ship into services, therefore, capacity shortage is likely to continue.
 - Shipping lines and their service providers have taken advantage of the situation and new surcharges have emerged.

(5) Shipping lines would be very profitable

- Because of restricted supply in the market, coupled with low fuel cost, shipping lines are expected to have very good profit in 2020 and probably the year beyond.

What Should Shippers do?

- Shippers' organisations have complained to regulatory authorities including the Federal Maritime Commission (FMC) and DG-Competition, the European Union. FMC is known to start investigation into the capacity shortage and market manipulation issues.
- Individual shippers should place their bookings early and closely liaise with carriers, and follow through with the bookings, loading and movement of their goods. Shippers should demand precise and update track and trace information of their cargo, as well as delivery.
- Shippers who have little control over operations of their cargoes may consider to isolate the freight cost and movement from their usual commitments, or pass on to other parties, until situation improved.
- Shippers should keep abreast of latest market developments and plan well. In many cases, extra buffer would be needed.

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