



Container Deviation and Delays – Riding the Storm

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Exporters and importers around the globe are currently facing substantial challenges in moving goods from A to B, as a result of a combination of issues which have produced a perfect storm.

Lockdowns in various countries meant that containers arriving in ports were often not collected from the port by importers, or containers were not returned or empty containers were not moved to other ports by the shipping lines, resulting in a build up of containers in ports. The imposition and then the lifting of covid-19 restrictions also highlighted the weaknesses in the infrastructure of many ports and the companies that support them, whether it be port productivity or labour shortages in haulage or train companies. Many of these issues have been a problem for years. The position has been exacerbated by the stop/start approach to lockdowns in various jurisdictions, as well as local breakouts, which are often not widely publicised.

As a direct result of these issues a variety of problems are being faced by shipping lines and their customers:-

Congestion

There are many ports around the world where there is massive congestion, with ships being expected to queue for substantial periods of time to be able to berth. This is affecting the containers lines but also the dry bulk shipping market.

- China has seven of the world’s busiest shipping terminals. The port of Yiantan, Shekou and Nansha have all recently experienced substantial congestion, mainly due to the aftermath of local covid 19 outbreaks. The number of sailings from Yiantan by lines such as Maersk have dropped substantially in the last month, as the lines scramble to find other Chinese ports that can keep goods moving.
- In the USA there are still substantial delays in the US West Coast Ports with ships queuing to get into berths.
- In Northern Europe, there are substantial delays in the ports of Le Harve, Hamburg and Rotterdam.
- Turnaround times for container ships are very quick, even with the delays currently being experienced.

- It could be worse. By contrast, in the dry bulk market ships carrying cement, steel, fertilizers, grains and sugars have always encountered congestion and lengthy delays of weeks or sometimes months to berth are much more common. For example, in June 2021 there were 57 ships at anchorage waiting to get into Israel's two major ports. To put that into context, that is more ships than those affected by the recent Suez Canal event involving the container ship MV Ever Given.

Changes to Scheduled Services as a result of the Congestion

- CMA CGN has recently stated they will no longer call at Le Harve, France which forms part of their N.Europe – South America – Caribbean service, until congestion issues are resolved.
- Hapag Lloyd are reducing the number of calls to Rotterdam on their Asia Route.
- Maersk and MSC have both announced reduced sailings to Hamburg.
- In China, the lines are trying to ship containers away from Yiantan, Shekou and Nansha, or reducing the number of services from particular ports.
- All of the container shipping lines have terms and conditions, which enable them to cancel their calls to a particular port, deviate and delay the delivery of containers.

Increased use of “stopover” transit container hubs

- Most container lines have central hubs into which containers are deposited and then moved onto feeder vessels.
- There has been a marked increase in the use of transit hubs like Tangiers Morocco. It is not uncommon to find a ship deviating to a transit hub to remove containers, on a direct sailing, because of congestion.

Increased freight rates

- Demand has driven freight rates up on the container trade as well as in the bulk dry shipping market, where the demand for goods has outstripped the number of ships required to service those goods.
- The increase has also been seen in the air freight sector, as airlines try to increase cargo capacity, whilst passenger capacity remains low.
- Freight is often a hidden charge that end users of goods never know about. That may not continue.

There are no quick fixes to the current situation, which will require ports to address their infrastructure and productivity issues, as well as encouraging the containers lines to remove empty or abandoned containers from the port or ensure the boxes are returned as quickly as possible.

Practical steps for exporters/importers

There are some issues that can be built into sales contracts to try and deal with the current risk issues.

- Plan ahead - give yourself as much lead in time as possible to export and import cargo being carried by sea or air.
- Consider whether the contract needs to take account of a third parties decision to deviate from a voyage and do something unexpected or, fail to call at the expected port, described on a seaway bill or bill of lading.
- Look at the contract with your end customer and ensure that any delays with third party carriers are taken into account when concluding contracts with the end customer, which should include any enhanced costs.
- Assess whether cargo insurance which can include claims for disruptions and delays should be taken out or assess the current cover currently in place to deal with delay and disruption.
- Ensure everything is in place so as to enable a container to be collected as soon as possible in the freetime period, when it finally reaches its destination, so as to avoid any storage or demurrage charges.

