



AUTHOR / KEY CONTACT

The Changing Face of Logistics



Linda Jacques
Partner

✉ Linda.jacques@LA-law.com
☎ 023 8082 7416

A quiet revolution is underway in the world of logistics. Traditionally shippers and receivers have relied upon shipping companies or air carriers to move cargo from one part of the world to another. The shipping companies are often container ships or ships that carry unitised, palletised and project cargoes. Interposed between those two parties are often freight forwarders with considerable know-how on how to move goods by air and sea, rail and road as seamless as possible.

Covid-19 has not caused a change in the traditional structure but it has exacerbated a number of issues that have acted as a catalyst to that change, particularly in the way goods are transported on ships.

Those issues are:

- Congestion in ports.
- The price structure surrounding the delivery and collection of goods at the load port and the discharge port.
- The fluctuations in freight rates.
- Infrastructure issues associated with many ports, to enable goods into and out of the port as quickly as possible.

Congestion

Many ports across the world have congestion issues with long delays recorded in entering ports. Traditionally this is down to how busy ports are, or local issues such as strikes, and congested docksides, but Covid-19 has exacerbated the problem. There is no starker example of the impact of congestion than by looking at Shanghai at the moment. Apart from the fact that 26 million people have been placed in lockdown by the Chinese authorities, as a result of a localised outbreak of the virus, the world's busiest port at Shanghai currently has

over 470 ships waiting to load cargo in and around the port. That congestion and the impact the lockdown will have on long supply chains and port capacity should not be underrated.

Price structures and fluctuation in freight rates

Many companies and commercial bodies across the world have raised concerns over the demurrage and detention charges levied by shipping companies. The charges for collecting goods after free time has expired are high and sometimes hidden charges that can be imposed, as shipping lines delegate certain services to third parties.

That issue, combined with the large increase in freight rates on certain services, has raised disquiet at government level in different countries. The Federal Maritime Commission in the U.S.A is handling a number of complaints from companies about the charges/fees imposed by containers lines. In the UK, BIFA has called for a Government investigation into the state of competition within the liner trade and its pricing and reliability structures. The European Commissions have also been asked to review profiteering by the containers lines.

Infrastructure

Many ports just do not have the infrastructure to deal with the number of ships that want to use it. Docks are full, manpower is not exhaustive, and containers are often in the wrong place and can cause shortages elsewhere.

The quiet revolution

Traditionally container lines move their scheduled sailings or change ports in order to deal with congestion or supply chain issues. However, the ongoing Covid issues, as well as delays in many ports over the last few years, have caused a number of lines to look at overhauling their traditional supply chain. This overhaul has resulted in container lines acquiring financial interests in ports, acquiring freight forwarders and purchasing aircraft to carry freight, as well as reviewing their contract options.

At the other end of the spectrum, there are now a number of major shippers chartering ships and aircraft with a view to bypassing the traditional chain. Companies like Amazon have quietly been chartering ships, making their own containers, and leasing planes for some time. Other shippers are following suit as it gives them a degree of flexibility as they can fix their costs with more precision and use the less congested ports and airports to move cargo.

Lidol announced this month that they had chartered several ships on long-term charter and set up their own shipping line – Tailwind Shipping to move their cargo around. This follows Ikeas' announcement last year that it would build its own shipping containers and charter ships to carry its cargo. Walmart is reported to have chartered their own ships last year, followed by the Home Depot. Whether those shippers ever decide to return to using the container lines is a question for debate but its immediate impact is that the container lines will lose

the business of some of the largest shippers on which they rely.

What impact that has on the containers lines and other carriers in a competitive market and the knock-on effect on freight rates and pricing will need to be assessed.

For any questions or concerns, please contact our specialist [shipping and logistics lawyers](#) by emailing online.enquiries@la-law.com