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# Surface Policy Group Update June 2019

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Director

# Main Issues facing the Maritime sector

- Trade Issues including greater protectionism
- Technology-digitisation
  - Lines establish Digital Container Shipping Association
- Emissions control
- Market consolidation etc
- Misdeclared/undeclared cargoes
- Reduced demand in EU impacting demand:-
  - Brexit
  - Weak economic growth



# General Market Situation



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- Further low demand is anticipated on the Asia – Northern Europe Route:-
  - 2018 growth was only 1.5%
  - Westbound trade increased to over 10 million TEU for the first time
  - Since 2011 average annual growth of westbound trade has been only 1.3%
- Declining markets:-
  - UK inbound volumes declined by 5%
  - Germany their volumes slid by 1%



# General Market Situation –cont'd



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- Growth areas:-
  - The Netherlands increased inbound movements by 5%, to be the second largest EU importer of Far East goods ahead of Germany
  - Poland increased their imports by 11%.
- In December 2018 Drewry had:-
  - Forecast market growth of 3.8% in 2019
  - Will need to downgrade, OECD has cut its growth forecast for the Eurozone by 0.3% to 1.9%
  - Still higher than 1.5% growth for 2018



# Average Vessel size

- Average size of vessels increased during 2018
  - Newbuilds delivered throughout year
  - 6% increase in size to bring average vessel size on Far East to Europe route up to 15,000teu
  - In 2019 the average vessel size will increase again as 460,000teu of capacity is due to be delivered
- Heavy criticism of Lines
  - 18,000teu referred to as a step too far
  - Lines only looked at vessel operating cost
  - Wider impacts including port capability to be considered



# Rates



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- Up to Chinese New Year 2019 rates had been relatively stable/buoyant
  - 40 foot box rate from Far East to EU briefly exceeded \$2000
  - First time since 2017
- Since Chinese New Year rates have declined
  - 16<sup>th</sup> May Maersk cut rate on 40ft box on the route from \$1900 to \$1600
- W/C 14/06/2019 rates are lower than either of the last 2 years on Asia to Europe route:-
  - 15% down on 2018 and 30% on 2017
  - To date 95, 18000 +Teu vessels delivered with 42 on order.



# Falling customer satisfaction



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- Schedule reliability at historically low levels:-
  - Poor weather in Far East
  - Ports are struggling to efficiently handle ULCV's
  - Lines taking unilateral action to reduce capacity
  - Felixstowe
- In 2018 average reliability schedule was 70.8%:-
  - 3.7% below 2017 average
  - 1.8% below the previous worst year (2014) of 72.7%



# Schedule reliability in 2018



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- Between 2012 and 2018, vessel delays averaged 3 to 5 days
- In 2018:-
  - March, worst performing month the average delay was 4.5 days
  - November, the best performing month it averaged 3.75 days
- On Asia-North Europe route in last 10 years
  - Number of weekly stings has fallen form 35 to 19
  - Average round trip for a vessel on the service has increased from 8.7 to 8.3 weeks





# Emissions reduction



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- Highly Controversial:-
  - In 2018, the IMO committed itself to “phasing out Greenhouse gases “as soon as possible”
  - Tangible ambition is to halve 2008 emissions by 2050
    - Anticipated growth in maritime traffic will see more freight moving in more ships.
- How to be achieved:-
  - Technology – use of scrubbers etc
  - Change fuel type, low sulphur, LNG etc
  - Mandatory speed limit.
- Shipper pays-lines implementing “Low sulphur surcharges”



# Block Exemption Regulation (BER)



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- The Commission is continuing its review of the BER – concern at concertation of lines, APL now withdrawing from Europe-Asia and Atlantic trades.
- Shipping interests have mounted a staunch defence of status quo:-
  - One extreme shippers want complete free market
  - Forwarders, ports etc want greater control and visibility particularly of data.
- OECD statistics noted there are 27 consortia operating to/from Europe:-
  - 4 fell below the 30% threshold
  - 7 definitely exceeded this threshold



# Misdeclared cargo



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- This seen as a major issue by insurers, ship owners and trade associations
- In 2019, we have seen three major incidences
  - Maersk Honan (5 dead)
  - Hapag Lloyd Yantian Express
  - Grimaldi Grande America (sank)
- Main concern is saving crew members, vessel, cargo, environmental issues.
- Incidents highlighting problems regarding General Average and legal complexities
- Maersk has alternative to General Average:-
  - Value Project



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# Freight handled at major UK seaports Q1 2019

All figures are a comparison of Q1 2019 with the same period in 2018:-

- Total tonnage increased by 6% to 119.3 million tonnes
- Inward tonnage increased by 10% to 77.7 million tonnes
- Outward tonnage fell by 10% to 41.6 million tonnes
- Total volume of unitised traffic increased by 3% to 5.4 million units
- Inward units increased by 5% to 2.9 million units
- Outward units were stable at 2.5 million units

Comparing the rolling year to March 2019 with March 2018:-

- Total tonnage increased by 2% to 477.6 million tonnes
- Total volume of unitised traffic decreased by 1% to 23.7 million units



# Driver shortage



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- Average 21% shortfall of drivers across EU
  - Average driver age is 50
- EU situation:-
  - UK is losing 50 drivers a day
  - Germany 185,000 shortfall by 2027
  - Romania 37% of all positions remain unfilled
- Good news is that only 20% of drivers express any dissatisfaction with their job.



# Towards a solution

- International Road Users have suggested the following:-
  - Special reward scheme to attract drivers
  - Better security and rest zones
  - Improved facilities especially for women
- Employers should consider:-
  - More flexible work schemes to resolve issue of final mile driver.

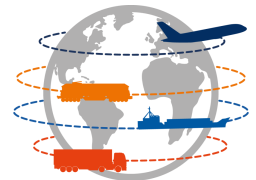


# Mobility Package



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- EU elections alter complexion of the Parliament
- Forwarders via CLECAT are campaigning for:-
  - Increased enforceability
  - Enhanced focus on fighting illegal practices
  - Simplification of specific rules
- Enforcement requirements and specific rules:-
  - Posting of drivers
  - Driving and rest periods
  - Smart Tachographs
  - Number of Cabotage operations
  - Return of vehicles





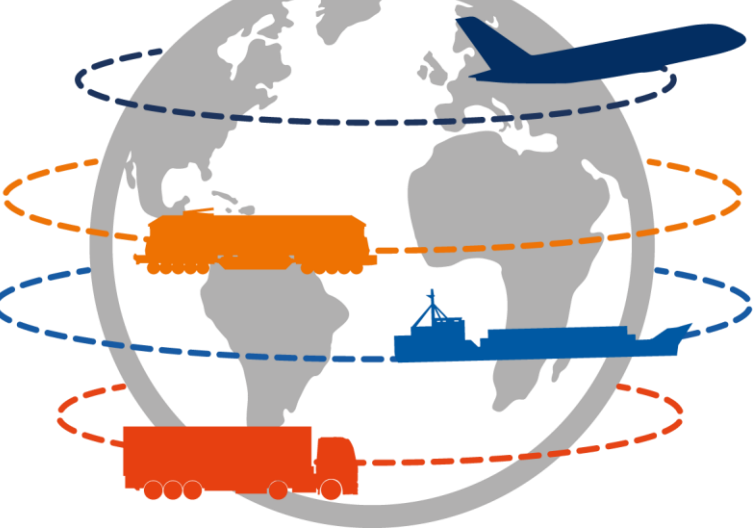
# Miscellaneous



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- Proposed Trans-Pennine road upgrade
- BIFA “Helpdesk Log” has shown an increase in questions about road:-
  - Negligence under CMR Convention
  - Responsibility for the load
  - Overloading of vehicles





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# Thank you for attending

# Training - Customs

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