



Container imbalances and COVID-19: Freight forwarders' role in finding solutions to the problems of today

The issue of container imbalances in the maritime supply chain is not a new industry issue, driven by various developments over the past decade. Since the outbreak of the COVID-19 pandemic, this issue is reaching a tipping point, with port and terminal congestion, abandoned cargo, and container shortages. This has serious impacts on the fluidity of global maritime supply chains, at a time when the timely flow of essential goods is ever more crucial. In the face of these new challenges, this is the time for international freight forwarders, with their crucial know-how and experience, to demonstrate their ability to find the right solutions to address these new issues and keep goods flowing, despite this unprecedented crisis.

Container imbalances in the supply chain

Container imbalances have been a perennial issue in the supply chain. In addition to inherent imbalances for special equipment and reefer containers, increase in vessel capacity over the past decade, and shipping lines cooperating in only three major alliances, have generally led to higher peaks in container terminals and land-side infrastructure. Inherent in the global nature of the world's supply chains are the impacts of major regional holidays, the Chinese New Year period being particularly significant in its ability to severely impact the global manufacturing base and logistic supply chain. In the current environment, these imbalances are exacerbated by shipping lines employing substantial numbers of blank sailings to adjust supply, which impacts on the availability of containers for backhaul (exports) shipments in the importing countries.

The Chinese New Year 2020 period took place in the context of a general increase in blank sailings and an oversupply of capacity. The lack of container export shipments during the extended Chinese New Year period in China amid the COVID-19 outbreak further exacerbated this problem. This had severe implications on destination backhaul (export) space and equipment, due to the significant shortage of sailings and containers shipped.

Whilst there was initial hope for a temporary problem of just a few weeks, when China began to restart its economy, the ensuing shutdown of many of the world's economies to contain the spread of COVID-19 continued to have profound impacts on global supply chains. Though containers from China will continue to arrive in ports, factory closures will continue to prevent the ease of delivery of containers. At the same time, orders for new shipment continue to be cancelled, again leading to an increase in blank sailings. Terminal congestion is rising as the import /export imbalance of containers continues and economies only slowly coming out of the lockdown.

The impacts of such container imbalances will continue to be felt, even as economies strengthen and reinvigorate the supply chain. As backhaul (export) demand increases, for example, the current high levels of blank sailings may mean there is not sufficient vessel space or container equipment for backhaul (export) containers, and as such imbalances in containers and available vessels will continue to be present.



Based on the current economic positions, it seems the global maritime supply chain is in for stormy weather in the months to come.

Opportunities and value-added services of the freight forwarding industry

Congested terminals, temporary storage, abandoned cargo – these constitute just some of the major problems facing the global supply chain today. In these challenging times, international freight forwarders have an important role to play. As the *Architects of Transport*, it is they who possess the knowledge and experience to deal with such unprecedented situations as, and when, they develop. Though digitalisation, big data, and other supporting tools continue to be important within the industry, this is not a situation that an algorithm alone can solve. Rather, it is the international freight forwarders who have the experience, knowhow, network, licenses and infrastructure needed to move cargo, deal with government officials and offer expert solutions for various logistical problems. Below are just a few areas in which international freight forwarders will impact the movement of freight in today's COVID-19 crisis.

Temporary storage – extended lead times and warehousing

In order to facilitate business continuity, shipping lines are increasingly offering extended transit services or using transshipment hubs to extend lead times. Such options may be practical solutions to be taken into consideration on a case-by-case basis depending on the specific circumstances. International freight forwarders, with their knowledge and experience in this area will be able to determine the best option for each individual situation.

Shipping lines' detention and demurrage charges are easy revenue options, and FIATA calls on shipping lines to exercise reasonableness in their charges.

Detention and demurrage tariffs have reached extremely high levels and leaving the goods inside the container and inside the terminal is the most expensive solution for storing goods for a period of more than 14 days. Unloading a container for conventional warehousing may require extra handling but even then, the overall charges will be lower, and the commercial benefit will increase with the number of days storage is required. The message is clear: leaving goods in the container is the most expensive commercial option for storing goods.

This problem is exacerbated by the COVID-19 crisis as it continues to develop, and international freight forwarders have the expertise to understand how to use the infrastructure available in each port most effectively in order to offer the right solution for each container and shipment. In this context, the warehouse location may not even need to be in the vicinity of the port itself as additional transport charges to other commercial areas, and possibly even closer to the consignee may easily be covered. In addition, international freight forwarders as integrated solution service providers are able to offer the necessary customs procedures and licences to cater for such options.



Customs procedures and tax issues

International freight forwarders have the knowledge and licences to offer tailor made solutions related to customs and tax treatment, even as unprecedented and unforeseen situations arise. The COVID-19 crisis has detrimental consequences across all economies and consignees may, in some instances, not be in the position to even accept the freight, instead abandoning the cargo and cutting their losses. In such instances, the international freight forwarder will by necessity manage the procedure and find practical solutions.

Reefer containers

The cold chain always requires special attention and is generally more sensitive to situations of crisis, particularly as each port has limited reefer plugs to ensure the active cooling. Here, international freight forwarders can proactively speed up the arrival process by coordinating the interface between vessel, terminal and pick up / delivery, including: preparing customs and other government documentation well in advance of arrival; committing to take delivery of the container directly from the container crane, or at a minimum dwelling time in the terminal, to prevent congestion; and picking up from the terminal within a very short period of time.

Summary

International freight forwarders as the *Architects of Transport* are crucial to the continued movement of today's supply chains, possessing the requisite knowledge, skills and experience to find proactive and innovative solutions in today's unprecedented COVID-19 crisis. Though not a new issue, the problem of container imbalances has been exacerbated by the COVID-19 pandemic as economies have taken different paths as to freight movements to contain the spread of the virus. The effects of this are expected to continue for some time. FIATA continues to urge shipping lines to review their business and operational practices and to work closely with all stakeholders to ensure a regular flow of cargo and containers. FIATA and its National Association Members are proactively engaging with stakeholders and government officials in order to find practical solutions in dealing with governmental restrictions associated with COVID-19. The World Customs Organisation's Private Sector Consultative Group (of which FIATA is a member) recommended as to the removal of restrictions on containers the following:

*"Due to restrictions on the movement or handling/unloading of containers of 'non-essential' goods, the number of empty containers available to exporters of 'essential' goods is dwindling. If this continues, sooner or later, it will result in a halt in all container trade due to non-availability of empty containers. This is a very real and major concern."*¹

¹ Private Sector Consultative Group, ['Comments on the Impact of the COVID-19 Crisis: Ideas for the WCO and Its Members from the WCO Private Sector Consultative Group'](#), World Customs Organisation, 13 April 2020

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It is important that government officials understand the necessity of keeping the flow of general supply chains intact by allowing the international freight forwarders to fulfil their mission as essential service operators in facilitating trade and the maintenance of a fluid global maritime supply chain to not only support the movement of essential goods, but to also support the recovery of the global economy.