



Global Shipping Conditions - 1st April 2023

STATE OF THE MARKET:

Since our previous update, ocean-freight rate levels have dropped considerably on the majority of export trades from the UK when compared with recent unprecedented high-rate levels. This is due mainly to reduced global demand for shipping space currently experienced by the shipping lines, caused by a combination of inflation, high interest rates and impact of the Ukraine war.

However, whilst reduced freight-rates certainly help to bring down the overall cost of an international sea-freight move, welcomed by customers and movers alike, the many shipping-line operational and service issues associated with the worldwide shipping market since the Pandemic have not gone away.

The good news is, we can report current shipping-line acceptance of container bookings on most outbound trades from the UK is steady, with vessel capacity and scheduled sailings available on average subject to two-weeks' notice.

We are however, concerned to report that shipping-lines are already applying operational measures to adjust for these reduced freight rates. These measures can include cancelling an entire vessel schedule forcing all bookings to a later vessel, cutting out selected destination ports-of-call, 'slow-steaming' to reduce vessel fuel consumption, which leads to longer than scheduled voyage times, and last-minute arbitrary and without warning re-booking (of loaded) containers due to lack of capacity, i.e., transferring from placing the loaded container onto the booked vessel, and re-scheduling it for inclusion on the next (later) vessel departure.

These service issues are exacerbated on some trades because of a lack of import shipments arriving at European and UK ports. This imbalance of trade is an additional challenge for the shipping-lines, causing a shortage of empty sea-containers readily available for re-loading and export. In some cases, this will impact a customers preferred moving date.

Ironically, on some trade lanes, freight-rates have fallen so far, that the shipping lines counter-measures are already leading to freight-rate increases. Despite this, BAR movers benefit from negotiated annual freight contracts which smooths the impact and contributes some degree of stability. We predict this uncertainty will gradually settle and stability will begin to return in the coming months.

Ultimately, severe service challenges, short-notice changes to container bookings, and variable freight rates, despite downward trends, will be reflected in your BAR mover's inter-continental door-to-door quotation and terms.

MARKET AVAILABILITY

Many destination ports around the world are experiencing varying lack of container or ship availability, leading to associated delays.

Eastbound trades from Europe (shipments to Asia, Oceania, India, Middle East). While acceptance of bookings is currently good, these trades are the most likely affected by the aforementioned blank

sailings, and slow steaming. Customers should be aware that sea-container shipments may take longer than expected to arrive through no fault of the BAR Mover.

Westbound trades from Europe (USA, Canada, Caribbean, and Latin America): these routes remain robust, acceptance should be good and ships 'waiting time' for unloading at most USA ports has improved. However, high demand for container space is likely to be an issue during the peak season summer months. Destination ports in the Pacific Northwest, such as Seattle, Portland, and Vancouver, are still not being served on a direct 'all water basis', with alternative routes via ports on the US East Coast, but expect delays because of intermittent congestion on the US rail networks which carry the containers from East to West Coast.

Southbound trades from Europe (South, East, and West Africa): Where a shipping Line does offer a service on a given route to this area, it is usually quite reliable. However, many hinterland destinations (usually served via main ports with overland on-carriage to inland freight terminals) have been removed from the Shipping Line schedules because of lengthy main port congestion and or poor on-carrying transport infrastructure. This has caused a reduction of the main destination ports of call coverage across much of this region, especially the Indian Ocean Islands.

UK HAULAGE

The shortage of UK HGV drivers continues to be a serious problem across the country, impacting all industries including shipping. High demand combined with short supply is driving up container haulage costs included in the mover's quotation. Shipping Lines who control the container haulage to and from the loading point and the port have recently introduced a Driver Retention Surcharge (DRS) aimed at maintaining their pool of HGV drivers, who would otherwise leave. This driver shortage, despite the DRS is causing some sea-container bookings to be cancelled at short notice. This is a very common operational challenge for Movers and their customers, impossible to predict when booking the container, and frankly, very little that can be done to protect Customers from such inconvenience.

CURRENCY EXCHANGE DIFFERENCES

Shipping Line's container-freight rates and ancillary charges are usually quoted by them in foreign currency, mainly US Dollars and Euros for sea-freight, and local destination currency for destination port and on-carriage charges. These 'freight charges' are, however, payable in British Pounds (GBP) and converted typically at time of the ships' sailing date, applying the currency exchange rate at that point in time. BAR Movers generally will include these container-freight costs in their GBP quotation offered to the customer using the indicative exchange rate(s) valid at the time of their quotation. Customers should therefore expect an adjustment of the Mover's final invoice versus quotation, reflecting the actual exchange rate applied by the Shipping Line at time of despatch. Your BAR Mover has no control over the actual exchange rate used and applied by the Shipping Line.

FUEL COST CHANGES

Sea Container freight contracts are subject to periodical ships fuel (bunkering) cost reviews. This is a mechanism applied by Shipping Lines which compares the average price of bunkering quarter-on-quarter and then adjusts the rate either up or down based on the change. With the well-publicised energy supply issues, bunkering increases adding to the overall sea-container freight cost are highly probable. We have seen increases as much as US Dollars 350 per container in recent examples.

PORT STRIKES

Our UK Ports have experienced labour and Border Force strikes over the past 6 months; while no actions are currently scheduled that we are aware of, ongoing negotiation, particularly with UK Border Force workers continues. Customers should be aware of the impact of potential future strike actions which could cause unexpected delays both outbound (export) and inbound (import) shipments, particularly the inbound UK customs clearance time and subsequent container deliveries.

Lithium-Ion BATTERIES

The acceptance of 'Li-ION' batteries in household and personal effects shipments is a complicated subject. There is a widely reported increased fire risk associated with these batteries. Shipping Lines themselves are so far, inconsistent in standardising their rules for their inclusion or exclusion from a consignment. Typically, we experience that Shipping Lines will decide on a shipment by shipment basis whether Li-ION batteries can be included. This extends to all and any items which may require such power units, examples include but not limited to cordless power tools, laptops, e-scooters, e-bikes and similar.

BAR recommends that Li-ION batteries are NOT shipped. If you do include them, the cargo will be declared (legal requirement) as 'Hazardous Cargo'. If accepted by the Shipping Line, hazardous cargo will incur a substantial freight surcharge, driving up your cost of shipping. The rules for hazardous cargo declarations is fastidious; it will also impact the time it takes to secure a confirmed container space booking on a ship.

Non-declaration of Li-ION batteries (or other hazardous goods), whether by intent or in error, is treated by the Shipping Line as a **misdeclaration**. This is a serious offence under maritime law and would lead to a substantial fine (payable by the customer) (currently circa 30,000 US Dollars); in addition, the Shipping Line could confiscate and dispose of the consignment.

IN CLOSING

We assure all customers that your BAR Overseas mover is highly experienced and will always use their best endeavours for an efficient and trouble-free overseas move. This update is intended to provide you with unbiased information on the state of shipping, and its many challenges. If you have any questions, please contact your BAR mover.