



SEMAPHORE

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Container Terminals the Bottleneck for Global Supply Chains

The key main reason for current global container supply chain congestion can be found in the gridlocks occurring within container terminals, Mike Knowles of the New Zealand Council of Cargo Owners explained to delegates in the conference's opening keynote address, "Sink or Swim: Adapting to Deal with Current Challenges in the Supply Chain".

Representing more than 70% of New Zealand's containerised cargo shipments, the council's voice carries considerable weight.

Mr Knowles listed five main contributing factors to the current international supply chain problems:

- changes brought about by COVID-19 such as reduced working hours
- an incredible surge in consumer demand after the initial lows when COVID-19 first hit
- congestion within container terminals nationally and internationally
- shortages of capacity onboard ships and also of container equipment
- the temporary effects of the Suez Canal blockage



Deputy Prime Minister Grant Robertson welcomes delegates at the start of the MLAANZ New Zealand Branch Conference at Parliament (Photo supplied by John McKelvie)

Of those five factors, the container terminal problems are the main problem, with just-in-time inventory levels adding to the pressure.

“It is not carrier capacity that is to blame – they are providing the ships,” he said.

Mr Knowles explained that big Chinese container ports were suffering delays of between five and seven days in getting vessels berthed, Singapore had a backlog of three-to-five days and West Coast North America ports were having huge problems with delays of between two and three weeks.

New Zealand too was having congestion problems, particularly at the Auckland and Tauranga container terminals.

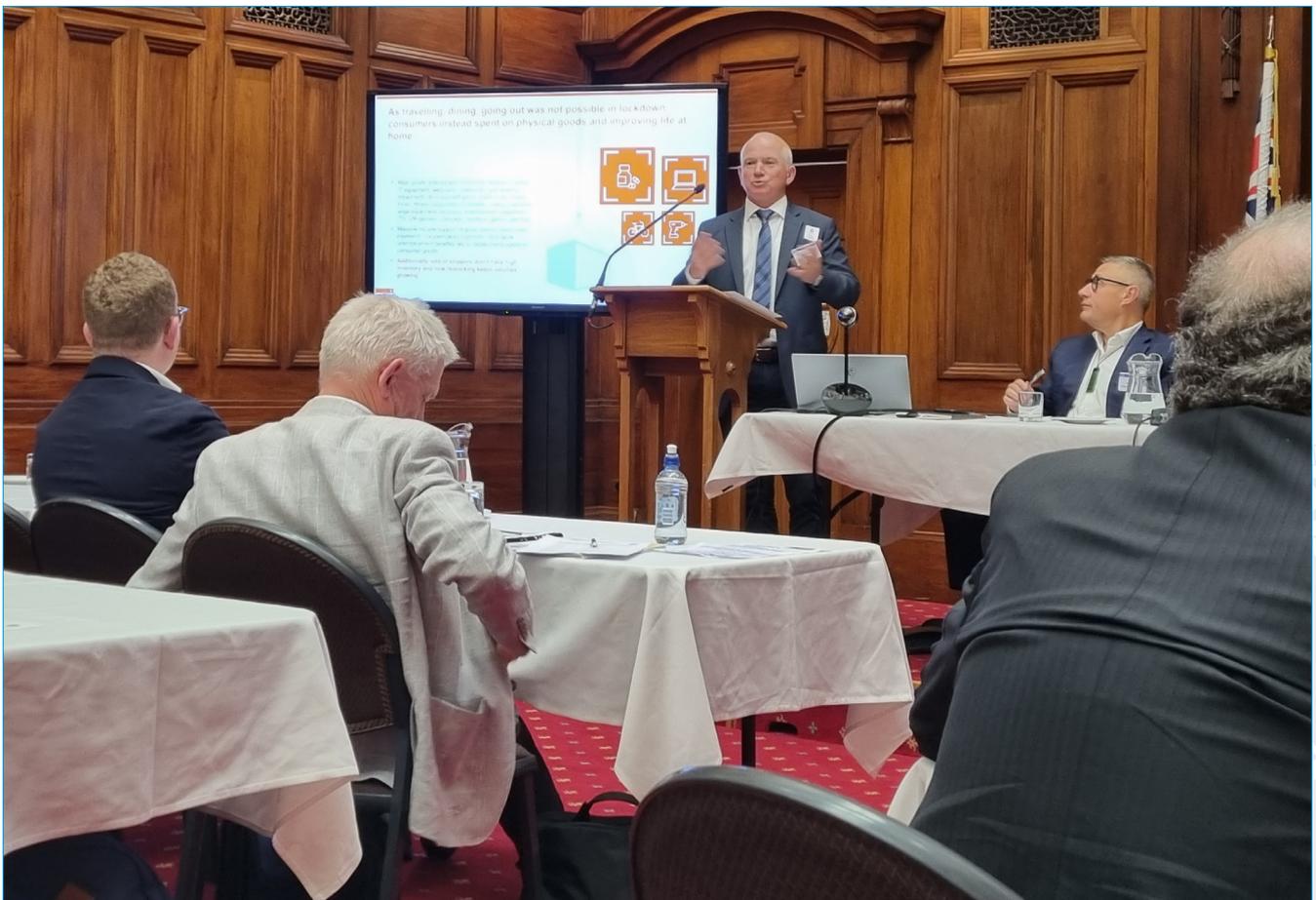
Such delays were impacting on the schedule reliability of container carriers, who were well behind with sailings. As an example, Hapag-Lloyd was showing only 36% of sailings being on time, with average delays across their entire fleet of up to five days.

“In New Zealand, there are no guaranteed loading windows at any New Zealand container terminal.”

Although, the situation at Tauranga was easing due to the provision of more trains to shuttle containers between Sulphur Point and MetroPort Auckland.

Equipment shortages were widespread, exacerbated by the Ever Given’s grounding in the Suez Canal and the delays suffered by hundreds of vessels, many of which were containerships.

There is a shortage of equipment arriving in New Zealand and being circulated around the country – a build-up of empty containers stuck in Auckland, awaiting evacuation elsewhere, and impacting exporters who need access to the boxes.



Mike Knowles explains the complexities of current global supply chain congestion (Photo supplied by John Mckelvie)

Turning to the economic impacts of this congestion, Mr Knowles said sales opportunities were being lost.

“Supply chain costs are increasing. Freight rates have risen a lot and I expect reefer will follow on from the dry rates. It’s not just freight rates alone but storage and handling too. Demurrage and detention charges are increasing.

“Shipping lines are now making super profits after making losses or no profit for the last ten years. However, the New Zealand Council of Cargo Owners is wary about how the three major shipping alliances will act going forward with their dominant position.”

Although, Mr Knowles added that the council was a strong supporter of the increased penalties for cartel behaviour that have recently been introduced.

Addressing the question of what can be done about such issues, he was blunt in saying shippers have to ride out the pressures caused by global issues.

“Shippers with long-term contracts will be better off. Forecasting cargo flows is now extremely important. My advice would be to take whatever slot is offered to you.

“Looking ahead, newbuildings will be arriving in 2023 and more containers are being built, which will help increase supply. The question is, when can container terminals improve their productivity?”

On that score locally, the Port of Tauranga is pursuing consents for a new container berth, which will provide long-term relief, and the Ports of Auckland is addressing its labour shortages and progressing its automation programme.

However, in conclusion Mr Knowles observed: “There’s no silver bullet solution in the short term.”

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