



SEMAPHORE

Newsletter of the Maritime Law

Association of Australia and New Zealand



Containerlines Navigate Pandemic Pressure Points

Global shipping lines are pursuing a range of counter measures as they strive to navigate the huge supply chain disruption brought about by COVID-19 while continuing to provide viable services and maintain trade.

This *Semaphore* article aims to recap some of those developments on the local scene while also relaying in full two open letters from senior executives within two of the world's largest containerlines issued as the Australasian and global containment response escalated.

Address from Maersk

Dear Valued Customer of Maersk

I hope you are staying safe and healthy during these challenging COVID-19 times.

While the impact of the crisis is starting to be felt both across your and our business, we remain determined to support you through this and we are taking all necessary measures to keep our ships sailing, ports operating and – ultimately – global trade moving.

While the current situation is unavoidably adding pressure to our business too, we want to reassure you that Maersk went into this situation from a position of strength and is a well and conservatively-financed company, with a solid foundation to see you and your important cargo through these volatile times.

I shared with you last week, that the only responsible thing was to review our network in line with the demand you bring, and I am grateful that we have seen an open dialogue between customers and our teams enabling us to do so. We continue to do everything we can to find solutions for you to cope with the disruption while we also seek to maintain our reach and take appropriate measures to minimise our exposure. In executing the network changes, we also put extensive focus on advising customers in a timely manner to enable you to make and needed adaptations.

Ships are sailing, ports are functioning, intermodal transport is underway, however, we all also face disruptions outside our control, such as labour shortage due to quarantine measures which may at times lead to instances of congestion. We therefore also encourage you to minimise port stays and detention of containers as much as possible in order to minimise the risk of congestion and maintain the flow of your goods, as well as the terminal operations and container fleet. Instead please do reach out to us and we can help you with alternative solutions which may help you address for instance fluctuating demand. Please see www.maersk.com/stay-ahead and specifically here under the section on service adjustments. Here you will find a global overview of where first ocean transportation adjustments are being made as well as concrete solutions from Maersk to mitigate this – for example, keeping your cargo in a transshipment hub stopping it before it lands with you at your destination.

For all of us to come best out of the COVID-19 crisis it is important that we continue to work closely together and that all parties involved in the logistical supply chain, from terminals to cargo owners, continue the spirit of partnership and collectively make an effort to keep the fluidity of intermodal freight transport for cargo which has already been shipped to be removed from the port and devanned in a timely fashion, with empty equipment returned promptly.

Finally wishing you once again good health and a huge thanks to your and our teams who are balancing this situation with home demands. We continue to serve our customers through the known channels with remote access to relevant systems supported by strong IT connectivity, robust business continuity processes and dedicated staff.

Stay Safe.

*Vincent Clerc
Chief executive of Ocean and Logistics
Maersk*

Address from Mediterranean Shipping Company (MSC)

The spread of COVID-19 has created a public health issue unprecedented in our lifetimes, triggering an unexpected shock for societies and economies. During this troubling period, my family and I feel closer than ever to our people across all our businesses and to our customers around the globe.

While we navigate these uncharted seas, MSC, as a major shipping and logistics service provider, has a crucial role to play in the world. Our family company, built on maritime heritage and passion for the sea, has for the past 50 years been bringing people everyday goods such as medicines, food, fresh produce, clothes and children's toys.



MSC Group president and chief executive Diego Aponte

As an essential cog for global trade it is imperative that we, together with our customers, keep the world moving despite the difficult operating conditions we are all experiencing.

Maintaining our usual close contact and close relationships with our customers is key to this. We consider it our duty to continue to deliver our usual high level of service, by linking the oceans, roads and railways of the world.

We are also increasingly implementing new solutions and innovating to adapt to the current challenging environment.

Our new Suspension of Transit programme uses some of the world's leading transshipment hubs as advance storage posts to help shippers begin moving goods early in anticipation of a resumption in demand, in an efficient and cost-effective way.

In Europe in particular, we are helping shippers to use our short-sea shipping networks to avoid new land-border blockages created by governments' essential action to curb the movement of people.

Meanwhile, through our internal information sharing system we draw on intelligence from 155 countries to identify new travel and port restrictions, curfews and so on, to ensure that we are well placed to directly advise our customers on how to manage supply chains amid these changes.

I have personally witnessed the passion and commitment of our people who are working tirelessly to keep cargo flowing for our customers everywhere and my family and I are grateful to all of them.

One of the first things I did in January following the COVID-19 outbreak was to begin introducing travel restrictions within our company. Looking at where we are today, this was clearly the right thing to do.

We have since seen a record number of MSC people using technology to work in an agile way, in many cases remotely from home, including in our offices in China starting in January and subsequently in our headquarters in Geneva and in many locations around the world. Implementing our business continuity plans ensures that we maintain our operations and high levels of customer service while our people can avoid travel and practise social distancing.

Already many of our customers use our online booking platform myMSC and we are actively prioritising upgrades to this E-business solution.

At the same time, switching on from home is not an option for many of our people – our seafarers who navigate our fleet of 550 containerships; the drivers of trucks, trains and barges; dockworkers; handlers of goods at our depots and warehouses; and our vigilant port captains and terminal operators around the globe. We salute them all, and many others like them, for their unwavering dedication.

We trust that the robust health protection measures we have implemented across our ships, infrastructure and offices have been effective and these will remain in place as long as necessary.

Wherever and whenever we could we have gone the extra mile to be of help. For example, in Italy – one of the worst affected countries at the time of writing – we converted a passenger ferry vessel from Grandi Navi Veloci, part of the MSC Group, into a floating hospital for victims of COVID-19.

As a truly global diversified group of companies, with a stable financial position across our various businesses, we remain in a position of long-term strength. While the situation is clearly becoming more intense in parts of Europe and the United States, we are seeing some glimmers of hope in the Far East.

China has shown early signs of recovery from COVID-19 after the lockdowns eased, factories started working again and goods started to flow. I would like to congratulate the Chinese Government and people, including those within the MSC family, as well as our customers and partners for this progress. It shows that it will be possible to overcome this crisis.

Nonetheless, we are not complacent about the risk from COVID-19 in any location, in any way. My thoughts and sympathies, and those of my family, go out to everybody affected around the world.

When the calm eventually comes after this storm, I hope we will collectively be stronger and wiser from this experience and better prepared to tackle life's challenges. MSC will be ready to support our customers with a heightened sense of service and business agility.

We look forward to continuing to work closely together.

From my family to your family: stay strong, stay safe.

*Diego Aponte
Group president and chief executive
MSC*

Blankings

As referenced in those open letters, the global carriers are blanking some scheduled sailings in order to ensure capacity remains in line with COVID-19 affected demand.

One example affecting local shippers is Maersk cancelling Triple Star sailings (New Zealand to Far East Asia) which were due to call at the Port of Tauranga in weeks 20 and 24.

“Maersk will continue to review the demand picture and will continuously adjust deployed capacity to match the demand,” it stated in a customer advisory.

“We will be ensuring the impact to our customers is minimised by rebooking Triple Star-blanking week cargo to our weekly Southern Star and J-Star services as there is sufficient capacity available.”

Expanded Storage Solutions

A positive recent initiative advanced by the world’s largest containerline on both sides of the Tasman was to introduce contingency inland storage services to aid customers’ operation through lockdown and restricted activity conditions.

In order to provide shippers with greater flexibility in “these challenging times”, Maersk has offered more secure storage for containerised cargo alongside associated solutions to facilitate product movement, explains Maersk Oceania product manager Greg Paradine.

“Maersk provides all transport services (truck and rail) to/from wharf/storage location/warehouse and can also provide customs and warehousing services if required,” he says.

Mr Paradine says the contingency storage solutions were promptly utilised by various customers impacted by COVID-19, “with greater impacts on the overall supply chain expected the longer restrictions stay in place”.

Major Supply Chain Efficiencies

Meanwhile, in a separate development, a collaborative project between Maersk and Fonterra has delivered an over 35% improvement in warehousing throughput and eliminated supply chain efficiencies of US\$300,000 per year for the world’s largest exporter of dairy products.

Background

According to a newly-published Maersk case study, Fonterra’s global supply chain involves the farms of 11,600 farmer shareholders in New Zealand, with distribution to customers and consumers in 140 countries.

With a collection of over 14 billion litres of milk a year, it manufactures and markets over two million tonnes of dairy products annually, making it the world leader in large-scale milk procurement, processing and management. Fonterra employs over 16,400 people across five continents and has a turnover exceeding US\$10 billion.

“When our customer realised they weren’t using their 130 warehouses in New Zealand optimally, together with their project team, they came to us with a task – increasing throughput in their 45,000-cubic-metre Crawford Street facility in Hamilton, 100 kilometres south of the main port of Auckland,” states the document.

“Their key interest was in Maersk’s CLASS modelling capabilities, which we put to use by creating an ‘As-Is’ model and three scenarios to increase throughput. Easy to implement, our recommendations brought them more than US\$200,000 in supply chain benefits, in the first nine months.”

Challenges and Solution

A lack of capacity at the Crawford Street facility meant cargo was often diverted to more expensive facilities, explains Maersk.

Too many slow-moving stock keeping units were left idle in the Crawford Street facility, which was originally designed as a high-throughput export container packing facility.

To evaluate throughput improvement options, Maersk simulated the Crawford Street operations using its CLASS software.

The study included:

- physical layout modelling
- product flow modelling (including time-of-day analysis)
- detailed process mapping
- productivity definitions per process
- material handling equipment definitions



“Based on the scenario models, our customer’s warehouse management team added a weekend shift and increased its cross-docking volume (not stored).

“Following these changes, the facility exported over 3000 TEU per month for at least five months, which was on average 1000 TEU more per month compared to the same period the previous year.”

Result

Maersk observes that its CLASS model gave Fonterra the confidence to build a long-term operations solution within a very short time, with results including:

- estimated cost benefits for the first nine months of the year following the implementation of the solution were more than US\$200,000
- the same year, overall packing capacity issues in the region were alleviated due to seven-days-a-week operations at Crawford Street and full year volumes at Crawford Street were estimated to be 35,000 TEU (actual volumes for the two previous years were 23,900 TEU and 18,000 TEU respectively)
- greater capacity and flexibility improved DIFOT (delivery in-full on-time) performance and trucking operations
- additional volume from their production and packing facility was transitioned to Crawford Street to increase throughput from the original forecast

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