Voice of the Independent

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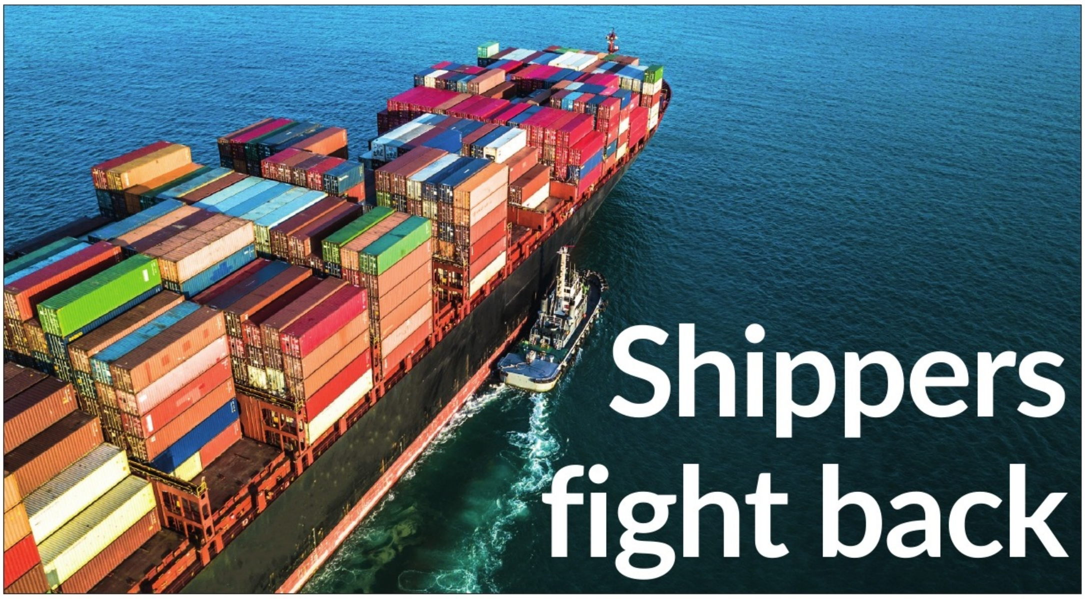

Shippers fight back

Authorities step in to limit box line tariffs as cargo owners protest

ANGRY shippers are fighting back as container line rates and surcharges continue to soar. The Federal Maritime Commission (FMC) is already investigating surcharges imposed by eight box lines.

Home décor company MCS filed a complaint alleging antitrust infringements and unfair detention and demurrage (D&D) charges levied by lines, naming Cosco and MSC.

The FMC's bureau of enforcement has now asked eight carriers – CMA CGM, Hapag-Lloyd, HMM, Matson, MSC, OOCL, SM Line and Zim – to provide details on surcharges.

The FMC said: "In reviewing ocean carrier responses, the commission will determine if surcharges were implemented following proper notice; if the purpose of the surcharge was clearly defined; if it is clear what event or condition triggers the surcharge; and is it clear what event or condition has been identified that would terminate the surcharge.

"The commission can initiate enforcement actions for improperly established tariffs."

Surcharges are abounding. Zim recently introduced a congestion surcharge of US$5000 per container, while CMA CGM has added a $1000 surcharge for Los Angeles. Hapag-Lloyd's $5000 surcharge for all Canadian and US ports began on August 15.

> "we hear increasing reports of ocean carriers assessing new additional fees"

FMC chairman Daniel Maffei said: "The Covid-related spike in demand for imports has pushed cargo rates to record highs. Now, we hear increasing reports of ocean carriers assessing new additional fees, such as 'congestion surcharges', with little notice or explanation."

The US regulator is expecting to take action to limit the astronomical costs being borne by shippers in detention and demurrage (D&D) charges, while Congress is seeking to amend the 1984 Ocean Shipping Act.

The Agriculture Transportation Coalition (AgTC) said an amendment was "urgently needed".

Alison Leavitt, MD of the Wine and Spirits Shippers Association, argues that her members are dependent on ocean shipping and are being "held hostage" by the lines which are charging thousands of dollars in D&D charges for delays to containers that are beyond the control of her members.

"We are looking for reasonable behaviour and transparency, and support revisions in the Shipping Act … that will pave the way for enforcement of reasonable practices," she added.

Continued on page 3

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Listen to customers before investing in tech

INDEPENDENT forwarders should think very carefully about their goals and strategy before investing in technology, to ensure it is the right fit for their business and customers, rather than a “defensive” move.

Dan March, WCA chief executive, told a webinar this month that independent forwarders face different challenges from the multinationals.

One of the key differences is geographical. “If you look at countries like India, the cost of employment is far lower than in the EU or US. A $50,000 investment in tech might be the same cost as 10 employees, not one or two, as it would be in higher-cost countries. So that will lead to globally staggered implementation of new technology, based on a cost benefit analysis.”

He also argued in the Freightos webinar that independent forwarders are driven to assess the real bottom line benefit from new technologies, rather than being caught up in the latest trends or hype.

> "The first thing is you need to want to adopt new technology, and not be afraid"

Noting the decade-long attempt to introduce E-AWBs, he said: “IATA never really created a persuasive argument for anyone outside of the top 20 forwarders to engage fully. Many SME companies could see some general benefits but not enough bottom line gain to justify the investment.”

It’s not technology alone that is the answer to problems, he added, but how it can help each forwarders’ customer base.

“Key to SME forwarders is the needs of their customers and this being the driving force for solutions. They can leverage new technologies and be innovative to meet their own needs and that of their individual customer bases, rather than adopting more ephemeral industry-wide ‘wish lists’.

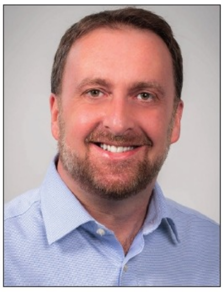
“Many companies have already dived into new tech and placed it at the centre of their business. But rapid transformation is not for everybody, it all depends on the business model.

“Some companies will not want 5,000 shippers each doing one or two shipments a year on an online booking system. They’d prefer 30 long-term customers with a tech solution catered for their needs instead.

“The first thing is you need to want to adopt new technology, and not be afraid. If you invest defensively with a fear of missing out, you will probably make the wrong decision. But if you listen to your customers and are keen to invest to create efficiencies for them, that’s the key to success.”

He also explained that the long working hours and many manual tasks by independent forwarders could be lessened with some tech solutions.

“SME forwarders work incredibly hard, long hours, with some staff available 24/7. It’s not an easy work-life balance, and I think tech can help. Some of the manual repetitive tasks can be taken over by technology, leaving staff to concentrate on other more productive and revenue generating work.”



DAN MARCH
WCA

The biggest challenge facing the industry – large and small companies alike – is the lack of common standards and platforms.

“There is a reluctance in the industry to connect on a single platform, and that will be a big issue. If you are on one transportation management system, and your partner is on another, it’s hard to leverage the efficiencies. It means there are still a lot of emails and messages, and that’s where mistakes can happen.

“It’s disjointed, there are lots of forwarders and lots of technology companies, and they don’t always want to API with each other.”

The WCA has spent time trying to develop a single platform for members. “It was a huge challenge, and we learned many lessons,” said March.

“There were far more obstacles and resistance than we could have imagined.”

But he noted that there are now more “off-the-shelf solutions, cheaper and more accessible, and more able to integrate with other systems”.

“Our job as WCAworld is two things: to identify the best providers that add value, to form relationships and bring them into the network on preferential terms for members.

“The second thing is to identify areas within the network where we can develop solutions ourselves. This is an area where we plan to make some exciting announcements over the next six months.”

WCA is also prioritising training and education, following the launch and exciting growth of the WCAworld Academy. “We have launched numerous accredited training courses and programmes over the past 18 months and the reception from members has been very positive. Education and skills development is increasingly important and is good for SME forwarders.

“There are lots of opportunities for WCA members to show off their skills to the rest of the industry. The Covid pandemic has demonstrated just how vital independent forwarders are to the global supply chain and collectively WCAworld forwarders have demonstrated to the market their exceptional capabilities and an ability to adapt to new challenges.

“I’m very proud of all of our members.”

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Shippers back legislation

Jim Mulhern, CEO of the National Milk Producers Federation, said: “Carriers have abused the situation to their advantage. Our members need the US government to act, and we welcome this legislation as an important, positive step.”

In a letter of support for an amendment, AgTC wrote that each month, the transport situation for agricultural goods was becoming “increasingly dire”.

Nearly 100 shipper signatories are backing the legislation. But shipping lines say the costs are justified. A spokesman for Hapag-Lloyd said: “We should not forget that, over the past 30 years, the cost of container shipping has come down tremendously – and the various forms of operational co-operation between the lines have been instrumental in building the large and sophisticated networks we have today.

“The high rates today are a consequence of an imbalance between supply and demand, as we sometimes also see in other markets. We are doing our utmost to return to normality as soon as possible, as this is in everyone’s interest.”

Shippers may disagree that lines are “doing their utmost”, with spot rates on the Pacific expected to break through the $20,000 per feu mark soon.

Ningbo closure could add to congestion

CONGESTION on the seas could worsen following the temporary closure of Ningbo’s Meishan Island International Container Terminal (MSICT), after a container yard worker tested positive for Covid-19.

Box lines began to divert vessels to Shanghai, with CMA CGM among those most affected by the closure.

While only one worker has tested positive, and a local forwarder told Voice of the Independent that he was “confident” that there would be little disruption, another forwarder said that it could “create the risk of further congestion at surrounding ports as vessels and cargo look to divert”.

“The main trade focus of Meishan terminal is FEWB and TPEB. All other terminals remain open. All terminals are under heavy congestion, with an average waiting time for a berth of 2-3 days. This will increase quickly.”

Lines including Cosco are omitting the port for now, while Hapag-Lloyd warned of “expected delays”.

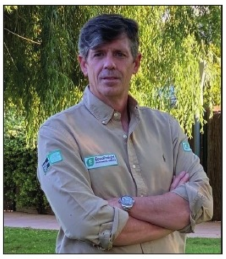
Maersk may appear to come through relatively unscathed: the majority of its services are at Ningbo Beilun, some 30kms away.

Focus ON

Greening freight chains

A union between technology and sustainability awareness is the only way to address the existential climate threat facing humanity, chief executive officer of EccoFreight, Fernando Giménez-Guervós tells Voice of the Independent (VOTI). Having set up shop in 2014, as the name may suggest, EccoFreight has a sustainable outlook front and centre of its operations.

"Deciding to link sustainability with international freight transport was there from the very beginning," he tells VOTI. "Since its creation, EccoFreight has been committed to generating environmental awareness as a differential value in the market, which is something that all our customers valued very positively. We realised that the union between technology and sustainable awareness was the best way to move toward sustainability. All this implies a greater effort and a cost increase, so we decided to develop several tools to both streamline this process and not be a burden for our customers. We believe that in many ways we have been pioneers, initiating a way of working that could become mandatory in the near future in almost all countries."



FERNANDO GIMÉNEZ-GUERVÓS
EccoFreight

Among the services it provides customers is a digital platform, EccoLogistics 360, that allows them to calculate CO2 emissions across the transport modes and compare these with alternative routes and carriers. The system is presently in use across 25 countries and Giménez-Guervós says it allows the company's customers to make informed choices, generate emissions reductions and create offset plans. A novelty when Ecco first began offering them, emissions calculators are becoming ubiquitous industry-wide, with other independent forwarders, carriers and larger multinationals now offering them.

"We believe that in many ways we have been pioneers, initiating a way of working that could become mandatory in the near future"

At the start of July Birmingham, UK-based independent, Metro Shipping, launched its own in-house-developed programme to help customers measure, reduce and offset their CO2 emissions. The free-to-use cloud-based MVT ECO module monitors emissions – and their associated costs – for every consignment in every mode enabling shippers to choose how, and if, to offset them.

Simon George, technical solutions director, says: "The dashboard shows customers the emissions data, year, confirmed departure and CO2 equivalent. And it reveals the total cost to offset. You can easily flick between key metrics. When the reporting is in place, we'll select a portfolio of one to three products for Metro CO2 offsetting, which will be for projects of value. Generally, you can decrease CO2 by avoiding it, storing it, or offsetting the impact on the planet. By combining two or three, you'd have a good scope of offsetting.

"We are unsure what level companies will commit to. Some of the numbers can be fairly significant. We want to find out our customers' interest in offsetting and get into a dialogue about a better choice, and maybe create different supply chain choices. Is air freight really necessary? Is road or rail better? There is a new dynamic in the talks we are having with customers. For one thing, now we are not just talking to shipping and logistics departments, other customer departments are getting involved."

But for some, the chaos generated by the pandemic has led to a rethink among some of the more obstinate companies when it came to assessing their own environmental impact. Chief executive of Green Worldwide Shipping, Thomas Jorgensen, tells VOTI that many companies were "forced" into this re-evaluation.

"Specifically, environmental sustainability has become almost a requirement for doing business with many organisations now because of international and consumer pressures," says Jorgensen. "At Green, we continue to make significant investments into partnerships that provide us with the ability to calculate supply chain carbon emissions and provide access to certified carbon offset credits in order to help customers make better decisions, because ultimately, this is going to have the most impact on the environment. Our job is to show them there are solutions and continue having the conversation. Internally, Green continues our commitment to the UN Global Compact sustainability initiative. Our Green Trees programme donates to Trees for the Future for every single shipment we handle and even offsetting the carbon impact of our website.

"Sustainability is not just environmental or carbon neutral. It is making sure your employees, customers and partners are taken care of and working towards aligned goals that will allow us to be around for future generations. As freight forwarders, it is our responsibility to keep pace and provide new services, solutions, and technologies that meet sustainability standards as they become available."

Similarly, Southern Cross Cargo's Vanessa Richards says that her team is continuing efforts, internally, to be more sustainable. A recent warehouse move provided the company with the opportunity to build in new technology and systems that were not possible in their older premises.

Richards tell VOTI: "We prioritise business partners and service providers who share similar business ethics as us but that is proving to be more difficult especially as the global supply chain now deals with hugely inflated rates and delays."

But unlike Jorgensen, Richards believes the noise of change surrounding the last 18 months, perhaps, does not accurately reflect reality. While she agrees that many companies have "green ambitions", she has seen a slowdown in the realisation of any substantive change. This she puts down to the financial impact of the coronavirus pandemic.

"In Australia certainly we have gone in and out of lockdown in various states and so the continuum that would normally allow businesses to set future goals and plans has been diminished," Richards continues. "I think if a company already had a strong environmental or sustainability focus, they have probably put a stronger focus on it but I think newcomers to the market may still be hesitant.

"Which is a shame, because I think companies that have had an environmental focus are somewhat better at adapting to change. They are used to thinking outside of the box and I think now more than ever, people are looking to do business with companies that are looking to more than just the bottom line. The consumer is becoming more savvy and I think trying to be more particular with who they engage with and what they buy."

Which brings both Giménez-Guervós and Richards onto their next central concern when it comes to turning supply chains green: "Greenwashing". While they both welcome the increased awareness they are also seeing the business-centric tendency for a quick fix.

"The number of companies using 'green' tag lines as a marketing ploy with no substance need to realise that sustainability isn't just a

Environment

THOMAS JORGENSEN
Green Worldwide Shipping

marketing grab, it can be a massive business changer," says Richards. "Some marketers jumping on a green bandwagon can be seen to be making vague and unverifiable claims — that's been going on for decades — and they deserve closer scrutiny."

Giménez-Guervós says it is unbelievable how many times Ecco finds out when approaching a company that they only have a desire for branding and no real commitment to change. He says that the problem is the level of effort required, and companies "have to make a real commitment" if they want to see that change. He is concerned that many are simply happy to get the badge without doing the work.

"In EccoFreight we have been clear from the beginning that we had to fight against #GreenWashing," he continues. "Our idea is not to completely change the logistics of a company and stop using fossil fuels, or that all transportation should be based on clean energy. Today, that is impossible. So, first for us is that we aim to take a step toward calculation. Because to be aware of what you do, you have to know how much damage you do, so we start by calculating the emissions of our customers.

"Then we give our customers the possibility to have different alternative routes and suppliers, whose emissions are lower but not more expensive. And eventually we give them the option to generate compensation plans for the emissions generated. All this does not generate an extra expense, but it does lead to an extra effort and work that more and more companies are willing to assume. Thanks to EccoLogistics 360, companies can do it in an agile and very efficient way, following international protocols and standards that are recognised worldwide."

> "Our job is to show them there are solutions and continue having the conversation"

Jorgensen is somewhat "less cynical, perhaps", noting that he does not believe businesses are "actively" trying to mislead customers. Pointing to the relative recent emergence of carbon neutrality, he says that it should be remembered there are complex calculations involved when it comes to certifying both emission levels and their effective offsetting mechanisms.

Jorgensen adds: "The pressure to get it right is not only immense, but it also isn't free. Companies are trying to navigate the new space carefully, without overpromising before they have a workable and validated programme. This does not mean they are not actively offsetting, modifying procurement or acquiring more sustainable fuels in the short-term. We should applaud all steps towards carbon neutrality, even shaky ones, as we collectively head down the path to environmental sustainability together."

Despite her concerns over greenwashing, Richards agrees that what is needed is to offer support for those who are trying to make a difference in how they do business instead of "trying to bring them down".

"There is more regulation needed with regards to carbon offsetting programmes so consumers can be assured that what they are supporting is valid," she adds. "There seems to be many voluntary options out there that may not necessarily be able to offset as much as they claim and so again I think it's important to recognise the system and instead of penalising and shaming it – we need to work with those companies to improve it to a point where we get greater consumer confidence. There is a massive difference between vagrant and irresponsible claims and a company taking internal steps to be more environmentally conscious – but who may not be as 'green' as the next. We start to get into personal opinions."

And anyway, says Giménez-Guervós, now is "very definitely" the beginning of something he expects will become mandatory. Even if the pandemic caused a pause in investment, Giménez-Guervós believes that it has "awakened a sensitivity" across humanity to the way the species as a whole, but business in particular, impacts the planet and the associated consequences of that impact.

"Over the past year, we perceived a greater sincerity in environmental concerns and a greater understanding of why we must change certain habits and actions that go directly against ourselves," he continues.

"In our sector, there is greater awareness of the damage that transportation causes to the environment and greater concern about how to reduce the impact. There is no question that concern about the environment and the generation of awareness about environmental care is starting to spread.

"Nevertheless, there are also many companies that take it as something 'trendy' and do not want to invest a lot until it is completely mandatory."

Spotlight ON

Victor Jones

Keep on trucking: if the conditions are right

Haulier owner/operator

BREXIT has undeniably added to the difficulties hauliers are facing when it comes to recruiting drivers.

Estimates vary wildly, not only on the number of European drivers that no longer work in the UK, but the wider shortage itself. The general assumption is at the 100,000 mark. But for one owner/driver, Victor Jones, the source of the problems is, and always has been apparent: "They don't value us," Jones tells Voice of the Independent (VOTI), in a claim that hauliers the world over support.

"Yes, European drivers left, but many hold settled status," says Jones. "It is a lack of home-grown talent causing the problem and this lack stems from it being a tough job – long hours, poor wages, diabolical facilities and loads of responsibilities for which they receive very little recognition – and a national, government-led hostility towards the industry, leaving any fool able to see why people are leaving and recruiters are struggling to attract new blood. This fixation of Brexit as the cause is a nonsense – in part created by an ignorant media – because the shortage is a long-running chronic problem that was made suddenly acute by the pandemic."

> "It is a lack of home-grown talent causing the problem"

As more and more companies begin to face up to the problem, Jones is not so sure they are learning the lesson. The fix, he says, will not be found in money alone – despite increasing numbers of reports of "golden hellos" – although he agrees it is a good start. But he warns that the present paradigm will only change with a "cultural reset" and believes that a failure to action this change in mindset will see prices continue to spike and supply chains suffer.

"There is no short-term, easy fix for this, it is a systemic problem that requires a change of attitude and this must come from the top down – until that happens, these issues will not be going anywhere," he continues. "Money is an important start, the recent pay spikes we have seen from the bigger firms need to become consolidated as the new minimum wage rates for drivers. Let's be clear, these are rates that smaller firms are already paying and have been paying for some time.

"For too long, large haulage firms have underpaid their drivers, and now those chickens are coming home to roost as they are forced to turn to agencies and pay, what for them, is over the odds, but common practice among smaller haulage firms. And from there they need the cultural reset, which means they need to stop treating drivers diabolically and instead recognise they are valued parts of the team."

Pointing to supermarkets as one of the many primary drivers of disenfranchisement, Jones notes two of the budget supermarkets in particular have compounded discontent in the industry through their adoption of a hostile attitude towards drivers. An attitude he says that is encapsulated by their insistence that drivers unload their own lorries "something they wouldn't dare do in France". Not one to ignore the positives, he did, however, highlight Waitrose's regional distribution centre in Preston as an exception to the increasingly deleterious experience of the average UK driver.

"Unlike many of the other supermarkets, the Waitrose facility in Preston offers drivers free refreshments and excellent facilities – many won't let a driver use even the toilet," he continues. "After nine to 10 hours on the road, this is what drivers want – they want to be made to feel they are welcomed and valued – but in general they are treated shabbily and as a nuisance by nearly all the big companies. And I guess that is the problem, this is top-down, it's actions by large haulage firms, some of their customers and governments over the past decade that have tarnished the profession. The press focus on Brexit as the source of the shortage is merely sucking the oxygen from the true causes.

> "they need to stop treating drivers diabolically and instead recognise they are valued parts of the team"

"Again, smaller haulage firms are not having the same troubles finding drivers, precisely because they do the opposite of the larger firms, they treat their drivers as though they care," he continues. "But there is only so much hauliers themselves can do. Government needs to make its own changes, and barring a new-ish facility at Rothwell on the A14, I cannot think of many with adequate facilities – in Europe, they can be found everywhere – and this one facility costs more than the average night-out money drivers are given. Most employers will only pay for parking – with eating facilities and washrooms – if the vehicle is loaded and as such a condition of their insurance. But if it is empty, then it is tough luck for the driver. In these cases, they must either pay their own parking – often more than night-out money – or find a layby. There are exceptions to this culture but they're few and far between."

Developing new facilities is a must. Indeed, he says a "concentrated effort" will play a big role in tempting those who have left the industry to return, while removing some of the horror stories – "squatting in laybys" for instance – that turn off new recruits. He adds that while this may be a time-consuming enterprise, government's ability to set up Covid test sites "rapidly" proves it could be done. His idea of a cultural reset also extends to the Driver Vehicle and Standards Agency (DVSA), claiming it must stop treating truckers as a "piggy bank" to fund itself, while "road work fanaticism" was furthering pain for drivers.

"The DVSA has an obsession over raising money to fund itself by punishing drivers with hefty fines for minor infringements. That needs to end. [Instead, it should be] advising and guiding drivers on the importance of safety. We need less road work fanaticism, which sees authorities close three lanes because a lorry is having a tyre replaced. As I said, it is a systemic problem and requires a top-down change of attitude from all those who deal with drivers – without it, the problems remain."

Insights IN

Seafreight – comment by Mike Wackett

Carrier profits soar as customer service hits rock bottom

MIKE WACKETT
Sea Freight Consultant, FICS

"YOUR call is important to us, please hold": but apparently your telephone contact is not valued if you are an importer trying to get the release of a container, or a shipper querying an ocean carriers' invoice.

As their profits have soared, carrier customer service response has nosedived, but instead of investing in boosting front-line support, shipping lines are going back to the ship yards to order more mega container vessels.

The mass cull of carrier customer service teams over the past few years has been a soft target for shipping lines battling to stay afloat in an industry that has failed to deliver the proper returns on invested capital since the financial crisis.

Moreover, the 'right-sizing' of front-line staff in carrier offices in the lean times during the last decade was extended to many of the operational functions of import and export departments, leaving them woefully understaffed to deal with an ever-increasing workload.

In desperation shippers and forwarders have taken to social media to visually share the almost impossible task of getting their calls answered by the under-resourced carrier desks.

> The mass cull of carrier customer service teams over the past few years has been a soft target for shipping lines battling to stay afloat

And thousands of emails are being left unanswered in the in-boxes of carriers as demotivated and overworked staff are forced to give up on managing the mountain of electronic messages.

Many staff that take a pride in serving their customers have walked off the job in tears after being at the end of a frustrated rant from a shipper who has been penalised with demurrage and detention charges for a box that he or she was unable to get released by the line.

The cost to the supply chain is enormous in time and money, but there is no sign that carriers are prepared to address the severe service shortcomings by staffing up.

Rather, they continue to blame the lack of customer service on Covid working restrictions, despite the majority of other supply chain stakeholders having returned to some form of normalcy in the meantime.

Carriers also point to their big investments in the so-called 'digital experience', that they want customers to use in place of the 'dinosaur' that is human contact.

However, as we all know: digital is only as good as the person that either monitors or inputs the data.

The negotiating balance between carrier and shipper has pivoted massively in favour of the shipping line since the Covid outbreak in early 2020, and some carriers have perhaps decided that they no longer need to engage with their customers.

However, although the pandemic has turned into a positive Black Swan event for the liner industry, the unpredictability of future demand against a background of higher commodity and freight prices must be a concern for even the most bullish of the carrier CEOs.

And with a vast armada of new ultra-large containerships hitting the water in two years' time that will need to be filled with cargo, carriers will have to spruce up on their sales techniques and start knocking on the doors of the same shippers that they previously blanked.

As the lines post record profits, wouldn't it be rather refreshing to hear that a carrier was allocating a chunk of its billion-dollar profits to investing in its customer services?

Fiata praises young forwarders

FIATA has announced the regional winners of the Young International Freight Forwarder of the Year Award (YIFFA), together with sponsor TT Club.

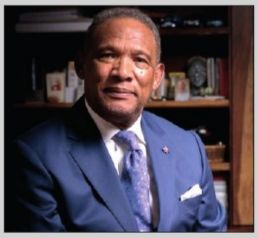
Fiata president Basil Pietersen said the work was "exceptional".

"The quality of the dissertations and relevance of the topics addressed this year – covering areas such as bales of fabric, medical supplies, out-of-gauge plant, and laboratory equipment – truly demonstrate the resilience of the supply chain. It is an honour to contribute to the shaping of bright young minds in our industry."

The winners are: Regional Africa and Middle East: Justin John Goedhart, SAAFF, South Africa, for his dissertation on agents of sustainable development. Regional Americas: Georgina Alejandra Perez Perez, CIFFA, Canada, for her dissertation on delivering essential tools to the Western and Eastern Canadian Arctic. Region Asia-Pacific: Muhammad Wasif Wiqar, PIFFA, Pakistan, with a dissertation on million-dollar shipments. Region Europe: Glauc Fornes Gil, FETEIA, Spain, for a dissertation on 'more than just a freight broker'.

Mike Yarwood, managing director, loss prevention for TT Club, thanked forwarding companies for encouraging their staff "to spend time and effort in laying out the details of their work projects for scrutiny. Such companies deserve recognition as responsible employers and praise for their professional development programmes."

Fiata added: "In the context of the disruptive effects of the ongoing Covid-19 pandemic, investing in and nurturing the future talents of the freight forwarding industry has never been so crucial, making the YIFFYA competition more relevant than ever."



BASIL PIETERSEN
Fiata

Demurrage & detention blues create stir in US

THE Class I rail operators and the largest container lines serving the US have some explaining to do. US authorities have asked for information about their detention and demurrage charges.

These charges have always been a bugbear for importers, shippers and logistics providers, and it has not helped that the rail carriers have reduced free storage times over the years. This year, however, with boxes stuck for long spells in congested locations, the problem has spiralled dramatically out of control. Importers have faced bills for tens of thousands of dollars for demurrage. According to one source, in Chicago – the largest as well as the most congested rail hub in the system – demurrage bills for a single container can be more than $10,000.

One large importer in Memphis paid $2m in storage fees in the first six months of this year, noted Neely Mallory, president of logistics provider Mallory Alexander.

"This has been some headache for everybody," commented Uwe Ratzmann, director, business development USA of Cargomind. "It hurts our customers, and we have to float more money and our operations staff need more time to handle a file."

Mallory sees the biggest part of the problem in the shortage of container chassis at the inland intermodal centres. It has worsened over the years, and the surge in traffic that has poured into the US this year has dramatically magnified the problem, he noted.

What exacerbates the situation is that the shipping lines have exclusive agreements with intermodal equipment providers, which prohibit the use of chassis from other providers or even importers' own chassis, he remarked.

This leaves importers holding the can in the present situation. They cannot use available chassis not designated by the lines and are charged for storage.

"The relationship between line and equipment provider breaks down, but the importer has to pay the fee," he said.

Mallory Alexander has been one of a group of operators that has been pushing for the establishment of a neutral chassis pool, similar to arrangements at the port of Savannah, as a way to cope with the present crisis. Mallory stressed that this would be a short-term solution.

> "In a more closely regulated environment, shippers can only take action if they know where and when they were overbilled"

One of the fundamental problems that needs to be addressed in a long-term solution is the present lack of communication, he said. Given the long transits of shipments from Asia, it should be possible to determine well in advance how many chassis are needed at which points. In the last week of July only a little over 200 chassis were available to meet an influx of 20,000 containers from one shipping line, he noted.

Importers and shippers have taken their frustration with demurrage and detention fees to the administration, and the White House has responded to their calls for change. On 9 July president Biden issued an executive order that calls on government agencies to crack down on anticompetitive behaviour and unreasonable shipping charges and costs.

It was warmly welcomed by the National Industrial Transportation League (NITL).

"We're especially pleased to see the administration's calls for vigorous enforcement towards ending unfair detention and demurrage practices that are crippling the maritime supply chain," commented executive director Jennifer Hedrick.

BRIAN GLICK
Chain.io

The Federal Maritime Commission was the first government agency to take action. On 20 July it notified the top nine container lines serving the US that it would immediately begin to audit the way they bill detention and demurrage charges. Two days later Surface Transportation Board chairman Martin Oberman wrote to the Class I rail companies asking them to explain their policies and practices for demurrage charges.

"I am particularly troubled about reports that Class I railroads are continuing to impose these charges even in circumstances when the receivers, as a practical matter, have no means to facilitate the release of their containers," he wrote.

In May the NITL called for changes to the Shipping Act to address unfair business practices and codify the industry guidance on demurrage and detention and asked that service providers should have to prove that their practices are reasonable.

Brian Glick, founder and CEO of Chain.io, sees some problems.

"In order for there to be real detention and demurrage reform, shippers need to have accurate data, because you can't just let the fox guard the henhouse, so to speak, and let the carriers tell the shippers what their data says. In a more closely regulated environment, shippers can only take action if they know where and when they were overbilled," he commented.

Moreover, he has doubts about shippers' appetite for confrontation.

"Most shippers will be hesitant to contest demurrage and detention charges because they are fearful of pushback from carriers, resulting in their shipments being dropped or de-prioritised," he reflected.

Even before the White House sprang into action Union Pacific made a significant change. On 1 July it announced it would be capping storage charges at $2,450 per container in the stack until a chassis becomes available.

"I commend them for capping their storage charges," commented Mallory. He expressed hope that this move to reduce fees would get some traction in the industry.

Voice of the Independent
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