

FIATA World Congress 2018 Delhi



Best practices

as proposed by FIATA

Demurrage and Detention in Container Shipping

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Why Best Practices?

No Platform

Shipping Lines and trade associations refuse to have a dialog on this or related subjects
.....there is nobody to talk to us.

They usually refer to competition laws, but we don't want to talk about prices
.....rather about the justification of charge items

Why Best Practices?



Indications that Shipping Lines abuse charges

Drewry reported in 2016

“...additional revenue from demurrage that is outside of the freight helpedto push them back into the black.”

an FMC witness during FF 28 noted that

“.. it would have been less expensive to park their container in midtown Manhattan than at the Port of New York/New Jersey.”



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The right to charge



Demurrage and Detention charges are justified!

FIATA respects that demurrage and detention charges are valid and important tools for shipping lines

equipment must be returned as fast as possible

Merchants exceeding relevant free times should be penalized for the use of the container.



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No right to take advantage



What is “justified”?

Merchants should not be subjected to unjust and unreasonable charges.

..... there are strong indications that shipping lines abuse the charging of demurrage and detention to increase profits.

No right to take advantage



Demurrage and Detention = to compensate losses?

Shipping Lines have been suffering in a very tough business environment, accumulating losses

Shipping Lines develop revenue streams that are not necessarily derived from freight

FIATA does not believe that merchants should be subjected to predatory pricing of this nature, especially as delays often occur through no fault of the merchant.



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Transparency / justification



Enough is enough!

Demurrage and Detention practices must be reviewed

FIATA suggests that commercial partners review the clearly defined issues related to demurrage and detention charges and negotiate agreements

We need transparency and clear terminologies

Definitions



Jungle of terms and practices

lack of common practices and definitions

FIATA provides clear definitions for the purpose of the Best Practices

List of Best Practices



Maximum amount

Demurrage and Detention charges must be limited to a maximum amount.

There are cases where more than 20 times the value of a container has been charges

FIATA suggestion:

maximum accrued demurrage and detention charges should not exceed the value of the purchase price of a new container.

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Congestion – inability to take delivery

No logic insisting on a charge that is supposed to motivate the merchant to pick up or return a container quickly if the terminal is not able to comply with this request.....

FIATA suggestion

Extend the free time period in case the terminal is unable to release / receive a container by the period that is equal to the duration of the inability.

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Blocked containers

Customs processes may require extra time
containers might be inspected or blocked

.....the merchant can't pick up the containers.

FIATA suggestion

highly discounted charge that covers for
“compensation to the shipping line for the use of the
container”, but no penalty for late return.

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Containers in merchant haulage

By offering carriers haulage, shipping lines are competing with the freight forwarders who are also their customers.

There are clear indications that shipping lines abuse their commercial power along the supply chain (terminals, transport) to prioritise containers in carriers haulage

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Containers in merchant haulage (cont.)

Marketplaces become less efficient when entities have the power to levy unreasonable charges on their competition.

merchant haulage or carrier haulage must be treated equally and fair.

FIATA suggestion

Ensure a level playing field for containers in merchant haulage, reduce unfair differentiation.

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Export closing days and narrow windows

Various security related closing dates related to VGM, Advanced Manifest requirements and physical closing led to very narrow windows for delivery. This development is counterproductive for easing congestion

FIATA suggestion

Increase export demurrage free periods in order to allow the merchant more realistic export planning

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Vessel delay in sailing

“for export cargo, the demurrage time is the period from gate-in of the full container into the terminal until a full container is loaded on board the vessel “.

Wrong approach:

The merchant would pay demurrage for delays!

FIATA suggestion

Change the calculation of demurrage to transfer the responsibility of vessel delays to the shipping line.

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Import: Transparency and timely charging

Often the forwarder receive invoices for demurrage charges weeks after the actual pick up of the container and may have problems to collect related charges from the importer / consignee.

FIATA suggestion

Demurrage and detention charges on import shipments must be charged much faster, ideally within a week. We need more transparency!



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Higher terminal peaks and free time limitations

Ultra Large Container Vessels (ULCV) have led to higher peaks, increasing delays and dwell times within terminals.

Higher terminal peaks also lead to a bigger concentration of land side delivery and pickups consequently many ports have to deal with road and land side congestion as well.



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FIATA suggestion

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Higher terminal peaks + free time limitations (cont.)

FIATA suggestion

Help to relieve terminal congestion as well as land side concentration of pickups and deliveries due to bigger vessels and higher peaks and allow merchants more flexibility by increasing demurrage free periods.

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Detention + environmentally driven modal shift

Forwarders have ecological statements and objectives to protect the environment and reduce their carbon footprint.

Paris agreement on climate change

International Maritime Organisation (IMO) set rules to ensure a reduction in ship emissions in general.

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Detention + environmentally driven modal shift (2)

Governments are investing in order to promote a modal shift to more environmentally friendly modes of transport

.....round trip of a container in a more environmentally friendly transport by barge or rail takes longer

.....with the risk of accruing detention charges.

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Detention + environmentally driven modal shift (3)

FIATA suggestion

Shipping Lines should support the modal shift by increasing the detention free period offering more realistic free detention periods for containers moving inland by barge or rail in merchant haulage.

Shipping lines should release / accept containers in inland depots.

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Detention limitations and merchant haulage

Merchant haulage is an essential right that must be protected.

It would be unfortunate if carrier haulage becomes a monopoly with merchants being limited in their choice.

In order to perform merchant haulage and not have disadvantages towards carrier haulage, a reasonable free detention period is essential.



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Detention limitations and merchant haulage (cont.)

FIATA suggestion

Provision of a fair and realistic free detention period for containers under merchant haulage.

There is no question that merchant haul operations are more flexible and cost effective, to the ultimate benefit of the cargo owner.

Conclusion and objective



This document aims to examine the current situation and outline best practices that could be implemented voluntarily by all parties moving cargo through ports.

These best practices may help reduce unnecessary supply chain costs and inefficient behaviour that lead to detention and demurrage charges.

FIATA encourages more data sharing in the maritime supply chain for a greater transparency of information related to these charges.

Distribution



- to be distributed by FIATA
- National Associations allowed to attach own Logo
- Should be used in local communication and negotiations

The Working Group plans to follow up with at least 2 more such best practices on different subjects

Thank you!!



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