



EUROPEAN SHIPPERS' COUNCIL

PRESS RELEASE

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European exporters face a huge booking crunch which considerably disrupts their supply chains

European Shippers' Council members report that many shippers who regularly export goods to Asia have been facing a large drop of available slots for containers on almost every shipping line.

The main reason given by carriers of the two new alliances is the reshuffling of their organization and the repositioning of their ships to start their new services next month. M2 alliance has stopped accepting freight from customers of competitors turning to them because of the shortage of capacity encountered.

Shippers are confronted with heavily damaging situations, ranging from breaching of contractual commitments by some liners to impossibility to get boarding slots before May. Either this results in a very fluctuating freight rates situation, with instant hikes up to 45% to firm up a booking. Or this translates into missed sales, stock failure, significant extra costs as some exporters are trying to circumvent these obstacles by using other modes.

Indeed, ESC had been earlier warning stakeholders that some trouble might happen after the Chinese New Year, because 60% of the capacity on some lanes would be rearranged. But the magnitude of the turmoil was nowhere to be expected in a background of a still structural overcapacity of the market. This disorder has a significantly more serious impact than the one caused by the installation of the previous alliances two years ago. It also comes only eight months after the very severe consequences of Hanjin bankruptcy.

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ESC calls for carriers to take their responsibility and give an accurate display of the present situation and of its cause, while making sure that everything goes back to normal in the coming weeks. ESC also draws the attention of the regulation authorities to the current market structure where 3 major alliances control close to 90% of the capacity on the major trades. Despite carriers not violating any present regional regulation on competition, the combination of a high concentration of players and a recurrent instability within the alliances induces a much higher risk of making this kind of market disruption frequent and significant. This is demonstrated today by the ongoing recombination of partnerships two years after the establishment of the previous alliances which were supposed to be set for 5 years.

Shippers' representatives have already called and call once more the maritime industry to initiate a constructive dialogue with them and other stakeholders. The objective of such a dialogue would be to create the framework for a sustainable market where the liners' offers would meet the shippers' expectations of service quality, continuity and predictability. Shippers have not triggered the conditions which make the market so much volatile today and they are certainly ready to trade some of the price advantage they got in the past years against this sustainability.

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European Shippers' Council was founded in 1963 to represent the logistic interests of manufacturers, retailers and wholesalers, collectively referred to as shippers, in all modes of transport. ESC Members are national shippers' councils, key European commodity trade associations and corporate members. Thus, European Shippers' Council represents the freight transport interests of some 100,000 companies.

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