Thank you for allowing us to highlight a few important points, derived from the sector of shipping, for your further action.

**1. Decreased demand & supply for freight operators**

The demand and supply from industries are currently at stake as most of the production is halted in the Chinese ecosystem. As the Chinese manufacturing industry accounts for the majority of movements of goods globally, the drastic drop in demand & supply is observed in the shipping industry. This has also hampered freight operations resulting in the withdrawal of services in some of the regions.

**2. Recession in commodities and stalled ships**

The fall in demand for transport of goods within and outside China has made an impact on the shipping industry. Meanwhile, the crisis in China has led to shipyard closures. This situation, which translates into losses for ship-owners due to their ships being stalled.

**3. Stringent measures impacting trade traffic**

The entry and exit of the ships have been restricted in various important ports as a quarantine measure to limit the outbreak impact.

**4. Reduce in vessel demand**

Big shipping lines have reduced the number of vessels on routes connecting China, Hong Kong, India, Canada, USA and West Africa. A statistics released by Alphaliner, indicating 30% to 60% outbound shipping capacity withdrawn in Asia-Europe marine routines have severely disrupted trade activities.

**5. Port congestion**

Many countries have responded to the pandemic by imposing lockdown or movement control order (MCO). Some retailers and manufacturers fail to pick up their cargo and containers because their warehouses are full or closed. The cargo lying uncollected at ports creates congestion and takes up space, reducing capacity for incoming cargo and containers.

**6. Demurrage and detention charges**

Importers or their representatives, usually freight forwarders, are exposed to the possibilities of paying extra demurrage and detention charges to their ocean carriers. Of course, in an intangible industry like shipping, those traders can always discuss and bargain on the matter through an appropriate mediation exercise rather than any unnecessary legal proceedings.

**7. Cargo backlogs**

Since most of the international cargo ships are halted in quarantine, there are possibilities that cargo backlogs will cause problems to both container and vessel operators.  In some of the cases, the containers are being sent back to POL due to the port congestion while some countries are avoiding certain shipments from entering.

**8. Accumulation of cargo in transit**

The value of accumulated goods in transit at a port or warehouse may exceed the accumulation limit allowed under the insurance contract.

**9. Dry-bulk plummeting into negative territory**

Chinese imports of dry-bulk commodities are the main driver for the dry-bulk market and with a slowdown of industrial production in the present period of time, regardless of short or medium term. Freight rates will stay low, until Chinese merchants get back into the market for the usual commodities, such as grain, coal and iron ore.

**10. The fall in demand in Europe and North America**

Global shipping lines are facing the prospects of a demand shock as the pandemic lockdowns lead to a fall in consumption and a global recession. Additional to the pandemic, restrictions on cargo shipping through the oceans can add to the cargo supply shock for global shipping and supple chain.

**11. Shipment delay**

The shipment's arrival at the destination beyond the anticipated date of arrival could have financial implications on all parties involved in the shipping transaction.

Thank you.

Prepared by:

Ranni Selvaraju CMILT

*Secretary, WiLAT in Malaysia (Penang Section)*

*Freight Manager, AK Shipping Sdn Bhd*

Supervised by:

Major Ts. Chang Kah Loon FCILT

*Chairman, CILT in Malaysia (Penang Section)*

Ts. Ramli Amir FCILT

*President, CILT in Malaysia*