



Department for Transport

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From the Secretary of State
The Rt. Hon. Grant Shapps

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Dear Angus and Huw,

Thank you for your letter of 19 December 2020 to myself and the Trade Secretary highlighting disruption at UK container ports and requesting Government intervention. You have already received a short response from the Department for International Trade but the issues in your letter fall more to the Department for Transport to respond to.

The Government has been proactive in its efforts to mitigate the congestion at UK container ports and the impact this is having on important import and export supply chains. I will set out in more detail that work later, but first I want to describe the global context and how this impacts upon UK ports.

Global Containers

Global container shipping is currently running at very high levels of demand, and therefore ship utilisation, with virtually no spare capacity, particularly on Northern Europe and US routes from Asia. This is impacting upon prices with Lloyds List reporting year on year price average increases of 90% on China-Europe routes and 180% on China-US routes. The average disguises higher costs for specific consignments and I recognise the \$8,000 price you reference in your letter. Supply chain challenges are being noted internationally from point of origin to point of delivery, whether that be a port in South East Asia, a shipping line's schedule, or unloading at the UK end. We expect that global volumes from Asia will remain at elevated levels until Chinese New Year in February. We have explored the current ship charter market to understand whether the shipping lines have put all available ships into service to maximise supply and can confirm that, as would be expected in a competitive market, this has happened.

The causes are multiple. There is operational "catch-up" in the container system from the first wave of the pandemic which created an imbalance in the

location of empty containers globally and saw significant delays to consignments from China.

The container imbalance is resulting in a shortage of empty containers for exports in China, a further factor driving cost increases on routes to Europe and North America. UK ports report that over the Christmas period stockpiles of empty containers remain high but have further reduced indicating that the shipping lines are seeking to rebalance container flows. Lockdowns across Europe and North America have shifted consumer behaviour away from “experience” to “things” driving volumes. In the UK some stockpiling ahead of the end of the EU Transition period has also contributed.

On arrival in the UK this surge is resulting in UK container ports seeing volumes consistently 15-20% above usual peaks. This is at a time when Covid-19 operating restrictions reduce the productivity of major ports by approximately 10%. Ports have long-term contracts with the major global shipping companies and through these contracts agree berth times for ships based upon the number of containers expected to be loaded and unloaded. Disruption across the world means that ships are arriving off schedule and the increased volumes means that ships are seeking to offload many more containers than was planned. Particularly in November and December some shipping companies changed their schedules with late arrival/early departures at UK ports and some diversions to other European ports, such as Zeebrugge. They have also adopted changed patterns to unloading imports, loading exports or loading empty containers to maintain schedules. As both shipping lines and ports acclimatise to higher volumes, unplanned or short notice diversions to other ports should reduce. Since Christmas the largest ports in Southern England report that no ships are queuing outside (in contrast to port of Los Angeles where up to 30 ships are reportedly waiting for a berth).

Felixstowe and the other UK ports are proactively putting efforts into resolving the issues, where that is within their control, by continuing to engage with shipping companies and other parts of the supply chain and freight sector to maximise efficient utilisation of port capacity. They are recruiting and training more staff as well as working with hauliers to improve container collection and vehicle/container booking systems.

In your letter you make a number of observations and suggestions. On PPE impacting upon the Port of Felixstowe I can reassure you that whilst at peak there was in excess of 14,000 TEU (twenty-foot equivalent unit – a standard container) of PPE on the port, this has now been reduced to around 2,500 TEU. At this level operational impact is minimal. The Department for Transport, the Department of Health and Social Care and the port itself have worked with the third-party logistics provider responsible to secure its removal.

You also raised the option of ships calling at alternative UK ports rather than diverting to the continent. We have raised this issue with shipping lines. We have seen other UK ports attract a small number of the smaller vessels away from the largest container ports. However, for the most part the ships on routes from Asia are the largest ships and these can only be accommodated at the small number of large ports in the UK and NW Europe. The economics of the shipping lines dictate using the shortest routes with a minimum number of stops on each voyage. There is an established feeder ship network bringing containers from mainland Europe to the UK and higher port volumes, particularly on the east coast of the UK, indicate that this network is responding.

Government Action

You also ask that Government intervenes to ensure all relevant stakeholders are co-ordinating to minimise this disruption. I am pleased to confirm that this has been the focus of my efforts.. The Department for Transport has been engaging closely with the deep-sea shipping lines and container ports since the start of the pandemic early last year. This engagement ramped up in the autumn as it became clear that a surge in volume was leaving Asian ports. The Maritime Minister is having regular discussions with shipping lines, port operators and the trade associations representing the maritime sector to understand the challenge and to explore where Government can provide assistance.

You are both correct to assert that this is not a purely maritime issue but an end to end freight one. The Department has reflected this in its coordination. The Ministerial team has brought together representation from across maritime, road and rail freight, and the warehousing sector to ensure these are working effectively together and to explore areas where Government can help. We have also held smaller group discussions including manufacturing companies to think widely about potential options for Government. The Maritime Minister will shortly convene a wider session bringing together freight trade associations with key representatives from manufacturing, retail and food distribution to communicate the global context and bring together suppliers and consumers of freight services.

As a result of this engagement we have twice intervened to ease regulation around road haulage drivers hours. In the context of container shipments this facilitates hauliers to adopt six days per week operations increasing their flexibility to collect containers from ports for onward distribution. We have worked with the Ministry of Housing, Communities and Local Government to prepare for any requests from the warehousing sector for temporary facilities. To date the sector has not required this assistance. We have engaged with the Ministry of Defence through its Military Assistance for Civilian Activities (MACA) process should the situation at ports reach a sufficiently critical level and a clear role for military support emerge. I must be clear that at this stage

there is no immediate role for the military through MACA. In response to concerns that we raised in discussions in December, we have seen the largest shipping lines transship a significant number of containers back to the UK from European ports over the Christmas period.

It is implied in your letter - but I would like to make clear - that the Government does not have the levers to impose additional capacity on the freight system. In theory we could procure and direct capacity but it would be capacity that would otherwise be available to the private sector. I do not believe that Government would do a better job at allocating scarce capacity than organisations for which it is the bread and butter of their operations. And in any event, as stated earlier, it is not available – or the private sector would already be using it.

Finally, I hope that I have made clear that I fully understand the importance of resilient supply chains and free flowing freight being integral to UK economic well-being/performance and my department will continue to liaise with the ports and the wider sector to manage the high volumes moving through the network.

Yours ever,

A handwritten signature in black ink, appearing to read 'Grant Shapps', with a stylized, cursive script.

Rt Hon Grant Shapps MP

SECRETARY OF STATE FOR TRANSPORT