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Mrs. Adina Vălean
European Commissioner for Transport
European Commission
1049 Brussels

By e-mail

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Supply Chain Disruptions

Dear Commissioner Vălean,

The current lack of containers and the ongoing disruptions in the maritime supply chain have a negative effect on the European economic recovery. The imbalance of available containers between the Asian and the Western markets are causing logistical problems for trade companies in the EU. Additionally, this imbalance is increased by the reduction in liner shipping capacities.

The problems in the global supply chain are threefold:

- 1) Closure of plants and production stops lead to backlog of products.
- 2) Noncompliance with existing contracts and increase in prices.
- 3) Supply shortages for finished goods and intermediate products.

The pandemic has forced many plants to close down during state mandated lockdown measures and productions were stopped. Containers are therefore stored in one location and no longer available on the international market. 20- and 40-inch containers are currently unavailable in Asia ports. Additionally, sea freight companies are holding back ships, increasing the tense situation and lengthening the waiting time. The World Container Index shows tripled prices since the beginning of the pandemic in 2020.

The second problem European traders' face is a breach of contract by sea freight companies. Containers that were booked are no longer available or negotiated prices are not respected. This leads to 2.5 to 3 times higher prices for containers than in the previously agreed contract. New contracts see prices up to 10 times higher than in pre-pandemic times.

This causes major financial problems for SMEs in particular. On the one hand, shipping companies cancel contracts with reference to force majeure. But if new, significantly higher prices are then also paid, the shipping companies reserve the right to collect goods at a certain time or not. At the same time, large customers on the other side, such as food retailers, demand compliance with existing contracts. The trading company in between then has to bear the additional costs himself. In view of the exorbitant price mark-ups, this is no longer possible.

Finished goods and intermediate products are facing a shortage in supply due to the before-mentioned problems. Our members are operating at low margins with a direct impact of these disruptions for the end-consumer. Since no European alternatives are available for the effected products, this problem could lead to a shortage of food and other products in the EU.

The situation is exacerbated by the limitation of shipping supply on the Far-East-West-Bound (FEWB) trade lane by sea freight carriers. While they are making profit margins of 38% in the first quarter of 2021, the supply of the European market is at risk. According to the recently renewed Consortia Block Exemption Regulation (CBER), sea freight carriers are allowed to conduct their business thusly. However, it creates the described problems and leads to a decrease of service quality and an increase in prices.

Therefore, we would ask the European Commission to examine the ongoing situation in the sea freight sector and make sure to re-establish a balance in shipping conditions.

Kind regards,