

NAVIGATING CHALLENGES FOR FREIGHT FORWARDERS AND CARRIERS DURING THE RED SEA CRISIS

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ABSTRACT

The Red Sea crisis has presented unprecedented challenges for freight forwarders and carriers, disrupting established trade routes and testing logistical resilience. This article examines the multifaceted obstacles faced by these key players in the supply chain, heightened geopolitical tensions and security concerns in the region. From navigating volatile waters to mitigating risks associated with heightened security measures, freight forwarders and carriers are confronted with complexities. This study aims to provide insights into navigating the turbulent waters of the Red Sea crisis, ensuring the continued efficiency and resilience of global trade networks.

1. INTRODUCTION

A freight forwarder is a company or individual that specializes in organizing and facilitating the transportation of goods from one location to another on behalf of shippers. They act as intermediaries between shippers and various transportation services, such as ocean shipping, air freight, rail freight, and trucking companies. In the shipping industry, a carrier typically refers to a company or entity that owns or operates vessel for transporting cargo or passengers by sea. The Red Sea is a seawater inlet of the Indian Ocean lying between Africa and Asia. It is bordered by Egypt, Sudan, Eritrea, Djibouti, Saudi Arabia, Yemen, and Jordan. The Red Sea is one of the world's most important shipping lanes, connecting the Mediterranean Sea to the Indian Ocean via the Suez Canal and the Bab-el-Mandeb strait.

Attacks from the Houthis on shipping vessels have increased in response to the war in Gaza, with BP halting all shipments of oil and gas through the region. The Red Sea, one of the world's most densely packed shipping channels, lies south of the Suez Canal, the most significant waterway connecting Europe to Asia and east Africa. Houthi rebels in Yemen have significant stepped-up attacks on commercial shipping vessels travelling through the lower red sea since mid-November in response to Israel's bombardment of Gaza.

2. OBJECTIVE OF THE STUDY

- To identify the challenges faced by freight forwarder and the carriers during the red sea issue.
- To understand and identify the freight rates and surcharges, rerouting of vessels, timely delivery of cargo between different carriers during the issue.
- To assess the issues faced by freight forwarders booking team to release the vessel slot to the customers from several port in India to US.
- To provide suggestion for forwarder and carrier to overcome the issued faced.
- To Evaluate the impact of these challenges on the day-to-day operations and overall business performance of freight forwarders and carriers.

3. NEED FOR THE STUDY

It helps the carrier to avoid hijackings, armed robberies, and vessel attacks at the routings at red sea and safeguard the crew and containers from hijacker and missiles attack. It helps to analyses the timely routings of vessel to avoid traffic in the mid sea. By analyzing, it increases the maximum utilization of containers. Also avoid the overall impact of delays on the network and increased total capacity. To study on and analyses that by Speeding up our vessels increases fuel costs, but it reduces the negative impact on customers supply chains caused by the longer travel distance. The study helps to minimize cargo delays and maintain flexibility. This study helps to avoid such issue for the future use.

4. SCOPE OF THE STUDY

- In The study will assess and examine the particular difficulties faced by carriers and freight forwarders doing business in the Red Sea region.
- It will evaluate the effects of these challenges on the carriers' and freight forwarders' operations, finances, and ability to continue in business.

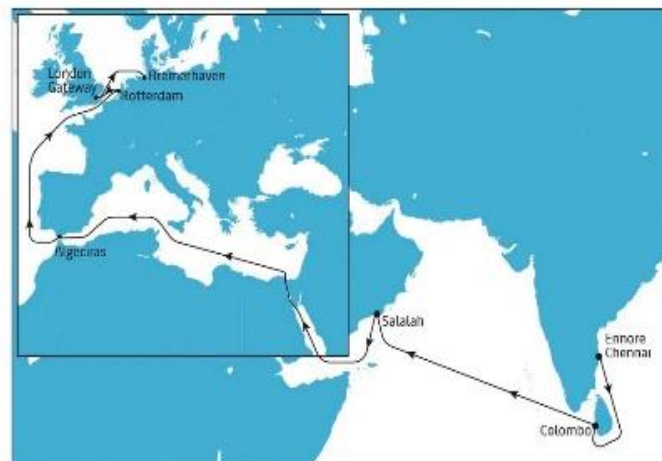
- In an effort to address the challenges caused by the Red Sea issue, the study will have a look at the risk management strategies and mitigation techniques used by freight forwarders and carriers in the current logistics landscape.
- The study will analyses the challenges that freight forwarders and carriers have in complying with regulations and examine the rules and regulations governing maritime operations in the Red Sea region.

Overall, the scope of the study encompasses a comprehensive examination of the challenges faced by freight forwarders and carriers during the Red Sea issue, with a focus on understanding the impact evaluating risk management strategies, exploring technological solutions, analyzing regulatory compliance issues, and providing actionable recommendations for addressing these challenges and ensuring the safety, security, and efficiency of maritime operations in the region.

5. STATEMENT OF THE PROBLEM

- Freight forwarder facing issue in managing the clients as red sea issue has affected the freight rates and delay in the delivery of cargo.
- Piracy remains a significant security concern in the Red Sea, with incidents of hijackings, armed robberies, and vessel attacks posing risks to maritime operations.
- As the red sea issue arises the routing has been changed because of vessel has been damaged and sunk in the strait. That-is the routing being from red sea – Suez Canal to POD.
- Now the routing has been changed as the vessel should be sailed through Cap of good hope. Around 5000 nautical miles approx. Different from actual route.
- As routing has been change the entire cycle gets changed there is delay in the vessel delivery, as the arriving days gets increased.
- Due to those changes the freight rates and surcharges gets increased.

ROUTE BEFORE THE ISSUE



ROUTE AFTER THE ISSUE



6. DATA COLLECTION METHOD

PRIMARY DATE:

Primary data refers to original data collected firsthand by researchers specifically for their research purposes. When investigating the challenges faced by freight forwarders and carriers, primary data was gathered through various methods such as surveys, interviews, observations, and experiments.

SECONDARY DATA:

The secondary data was collected through existing sources like websites, articles, Books, company websites, Google, Magazines, journals, Newsletters.

7. CASE STUDY ANALYSIS AND INTERPRETATION

CHALLENGES FACED DURING RED SEA ISSUE BY FREIGHT FORWARDER 1:

- The clients were chasing for the buy rate for the cargo and shipments to be sailed on time.
- As the freight rates were high due to the routes many of the clients lost their business.
- On time delivery was not possible as the routings were changed.
- Many cargoes were damaged during the transit because of the attack of pirates in the Gulf of Aden.

FREIGHT FORWARDER 2:

Due to the excess of empty containers, which impede industrial operations and block international supply networks, port congestion is a serious problem. Customs cut container stays from 120 days to 90 days due to 8,000 empty containers piling up at Manila International Container Port. This problem has also caused congestion in nations like the UK, Kenya, Nigeria, and Cote d'Ivoire. The Port Authority of Los Angeles is collecting fees from vacant containers intends to charge \$100, rising by \$100 every day, for each empty container left on the property for more than nine days. In late January, empty containers made up 45% of all containers in Long Beach and Los Angeles, more than doubling their percentage prior to the outbreak. The main challenge face by forwarder is in freight rate, as the price increased from less than USD 3,000 before the crisis to about USD 9,000 during the crisis. As per the contract with the liners nearly USD 5000 were higher for the trade, compared with other forwarders.

RED SEA CRISIS FOR THE OCEAN FREIGHT INDUSTRY

❖ The Challenges of the alternative route

Navigating through the threats in the Red Sea not only poses life risk for the sailors but also brings about higher insurance premiums, potential legal issues, and unpredictable delays.

However, choosing to steer clear of the Red Sea and take the longer route around the Cape of Good Hope comes with its own set of challenges. This detour adds approximately 3,500 nautical miles (4,000 miles/6,500 km) and extends the sailing time by 10-12 days for each trip. The repercussions include the need for extra fuel (with estimates suggesting an additional \$1 million/£790,000 worth), potential adjustments to alternative ports of call, modifications to delivery timetables, and increased overall costs. Despite these challenges, many companies are making this choice as a safer alternative to the risks associated with potential missile attacks and hijackings in the Red Sea.

❖ Unavailability of Container

According to Sea-Intelligence and other maritime officials, approximately 10% of the world's fleet is currently not in service. The deployment of these additional vessels could potentially address the imbalance in vessel availability and enhance predictability in vessel schedules. Moreover, to navigate around the Cape of Good Hope, ocean carriers would require one or two extra vessels to compensate for the delays caused by avoiding the Red Sea.

The addition of vessels to the flow of trade could potentially alleviate concerns about a container crunch that has been worrying logistics managers. When vessels experience delays, the containers on those vessels will also be delayed in their processing and reuse for subsequent exports. This delay can impact exports from Europe to the United States, as well as from Asia to the United States and other parts of the world. Furthermore, the rerouting of vessels could lead to container shortages for several weeks, highlighting the broader implications of disruptions in maritime routes on the global supply chain and trade dynamics.

❖ Increase in ocean freight rates

The new rates and surcharges introduced by carriers may drive near-term prices for the Red Sea Lane to exceed \$6,000 per FEU (Forty-foot Equivalent Unit) as volumes are anticipated to shift to West coast. While season lulls following the Lunar New Year in late January could lead to lower rates later in February, it is expected that prices may remain higher than usual until Red Sea container traffic resumes normal levels. The adjustments in rates and

surcharges reflect the ongoing challenges and disruptions in maritime routes, impacting shipping costs and trade patterns in the affected regions.

CHALLENGES FACED DURING RED SEA ISSUE BY CARRIER 1:

Trade Operations reports 33 attacks to date and most carriers are now rerouting the majority of vessels around the Cape of Good Hope, adding approximately 5,000 miles to the total voyage length. Impacted routes face an additional 1-3 weeks of transit time and port bottlenecks remain an issue. Lack of available capacity has become a significant factor and Maersk estimates the industry will need approximately 6-7% additional capacity just to handle the regular cargo volume.

Challenges faced by logistics operators in the region directly impact companies that utilize transit via the Suez Canal, resulting in major supply chain disruptions. Prolonged transit time and unreliable delivery time estimation have made it difficult for customers to maintain inventory levels. These delays also impact the return of empty containers to Asia, reducing available capacity for ships departing from Europe.

CARRIER 2:

- Disruptions to vessel schedules and transit times.
- Increased costs related to security measures, insurance premiums, and risk management.
- Operational inefficiencies and supply chain disruptions.
- Reputational risks and stakeholder concerns.

CARRIER 3:

- Piracy and maritime security threats.
- Geopolitical tensions and conflicts.
- Navigational hazards and adverse weather conditions.
- Regulatory compliance requirements.
- Environmental risks and concerns.
- Operational disruptions and supply chain issues.

Evaluating the impact of these challenges on the shipping line's operations, including

- Delays in transit times and vessel schedules.
- Increased insurance costs and risk management expenses.
- Disruptions to supply chains and customer relationships.
- Financial implications and cost management strategies.

8. SOLUTIONS FOR ABOVE PROBLEMS

Enhanced Security Measures: Carriers and freight forwarders operating in the Red Sea region should implement enhanced security measures to mitigate the risk of piracy and maritime threats. This includes deploying armed security personnel onboard vessels, implementing strict security protocols, and leveraging technology such as surveillance drones and satellite monitoring systems to detect and deter potential threats.

Route Diversification: To minimize the impact of disruptions in the Red Sea, carriers and freight forwarders should explore alternative shipping routes and modes of transportation. This may involve rerouting shipments through alternative sea lanes, utilizing air freight for time-sensitive cargo, or leveraging overland transportation routes to bypass high-risk areas.

Collaboration with Naval Forces: Carriers and freight forwarders can collaborate with naval forces and international maritime security organizations to enhance maritime security in the Red Sea region. This may involve sharing intelligence, coordinating convoy operations, and receiving escort services for vulnerable vessels transiting through high-risk areas.

Insurance and Risk Management: Carriers and freight forwarders should review their insurance coverage and risk management strategies to ensure adequate protection against potential losses and liabilities associated with maritime security risks in the Red Sea. This may include obtaining specialized marine insurance coverage for piracy-related risks and conducting risk assessments to identify and mitigate vulnerabilities in the supply chain.

Strategic Port Selection: When planning shipping routes and port calls in the Red Sea region, carriers and freight forwarders should carefully assess the security situation and select ports with adequate security measures in place. Choosing ports with robust security infrastructure and a history of safe operations can help mitigate risks and ensure the smooth movement of cargo.

9. CONCLUSIONS

In conclusion, the challenges faced by carriers and freight forwarders operating in the Red Sea region present significant obstacles to the smooth and efficient movement of goods. The complex interplay of geopolitical tensions, piracy threats, and maritime security risks requires a multifaceted approach to mitigate risks and ensure supply chain resilience. By Implementing enhanced security measures, including risk assessments, collaboration with security organizations, and investment in security technology, is imperative to safeguard vessels and cargo against potential threats.

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