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M.G. INTERNATIONAL
SINCE 1891



YOUR RELIABLE LOGISTICS PARTNER

September 10th 2024

Dear Clients, Partners and Friends,

on January, 25th 2024, in July 2024 as well as through various "Flash News Reports", we informed you about the overall supply chain disruptions and particularly regarding the situation at the Gulf of Aden / Red Sea. Herewith, we would like to provide you with updated information.

Supply Chain Disruptions:

The overall supply chain situation is continuing to cascade across the world. Since December 2023, when the first attacks at the Gulf of Aden happened, the situation is getting more difficult every month forcing vessels to temporarily re-route and take longer routes. Due to longer transit times caused by the attacks at the Gulf of Aden as well as weather conditions in Southeast Asia, Damages to important bridges (Baltimore Port) and shortage of hinterland traffic by rail (Europe) the overall turn-around times for Containers and Vessels have significantly increased.

The route between Asia and Europe and vice versa is directly affected by the red sea attacks. The Oceanian routes are impacted by congestions in the Southeast Asian Ports. This is due to equipment shortage and constrained capacity from the Red Sea disruptions. Due to this, also the traffic to Australia is affected.

The traffic to Arabian Gulf ports has significantly increased. **Nearly all goods for Saudi Red Seaports have been re-routed to Arabian Gulf Ports.** Ports like e.g. Jebel Ali are facing serious congestions (4-6 days for container vessels, and 5-10 days for break Bulk ships w.p.) Consequently, the storage facilities in e.g. the UAE ports is almost full, a shortage of gangs and equipment is causing delays in discharging vessels. Additionally, a shortage of trucks causes massive rates increases for domestic and local trucking services. "Every truck from the UAE is going to Saudi now..." according to our local colleagues.



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Background:

During the past months, armed Huthi forces have attacked or have tried to attack civilian cargo ships. As a consequence, most shipping lines decided to avoid the Red Sea / Gulf of Aden passage. The Suez Canal, the primary transit route between Europe and Asia, can only be accessed through the Red Sea.

As an alternative to the Suez Canal, sailing around the African continent via the Cape of Good Hope is required even though this route takes an additional 10-14 days sailing time and is almost 40% longer compared to the Suez canal route.

Suez Canal vs. Cape of Good Hope shipping routes



Source: Global Maritime Hub, S&P Global Commodity Insights



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Update Q3 2024:

The risk zone in the Red Sea has been expanded and attacks are reaching further offshore. Consequently, most carriers continue to sail around Cape of Good Hope for the foreseeable future in order to safely get the cargo to its destination.

The knock-on effects of the situation have included bottlenecks and vessel bunching, as well as delays and equipment / capacity shortages.

Please consider that marine cargo insurance coverage is terminated for the following territories, unless specially agreed with the underwriters:

The insurance of the perils according to the above clauses and agreements is excluded in the area of the Indian Ocean, the Gulf of Aden and the southern Red Sea within the following limits (exclusion area):

- in the northwest: through the Red Sea, south of the 18th parallel north
- in the northeast: from the Yemeni border from the geographical point with the coordinates 16°38.5'N, 53°6.5'E to the point in the high seas with the coordinates 14°55'N, 53°50'E
- in the east: through the line in the high seas from the point with the coordinates 14°55'N, 53°50'E via the point with the coordinates 10°48'N, 60°15'E to the point 6°45'S, 48°45'E
- and to the south-west: across the Somali border from the geographical point with the coordinates 1°40'S, 41°34'E to the point in the high seas with the coordinates 6°45'S, 48°45'E.

All other contents of the agreement and existing exclusions (in particular with regard to Russia and Ukraine) remain valid to the same extent as before.



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Current situation at Jebel Ali Port, UAE:

Due to the previously explained global supply chain disruptions mainly driven by the current situation at the Red Sea, major logistics hubs such as Jebel Ali Port in UAE are facing increased volumes (e.g. due to increased volumes with Saudi destination unloaded in UAE and transhipped by truck). The consequences are serious congestions as written above. Please find below more sources and additional information about the situation at Jebel Ali port.

- 1) Crane Worldwide Logistics (July, 30):
"Major delays at terminal 1 and 2 have been reported at Jebel Ali port, impacting both inbound and outbound shipments. Several vessels are avoiding the port from their regular schedules. MSC, for instance, utilizes Abu Dhabi port for transshipments, resulting in containers being omitted from this process. Similarly, transshipments to GCC ports are experiencing the same issue." <https://www.craneww.com/knowledge-center/latest-news-and-info/uae-freight-market-update/>

- 2) SPG Global (April, 29):
„Market participants have reported congestion at China-based ports, Singapore, Port Klang, Jebel Ali and Columbo -- with the last three being key transshipment and intermodal hubs in light of the Red Sea crisis -- leading to carriers also dumping containers at Singapore in an attempt to catch up with and meet schedules."
(...) "a five-to-six day delay at Jebel Ali. During normal circumstances the same ports see berthing on arrival or delays of up to only half a day."
(...) ""There is congestion at Jebel Ali T1 and T2, with rain adding to the turmoil. Hence ships are also diverting to Port Khorfakkan instead of Dubai," a source said."
<https://www.spglobal.com/commodityinsights/en/market-insights/latest-news/shipping/042924-congestion-rises-at-ports-in-china-southeast-asia-amid-higher-volumes-red-sea-crisis>



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- 3) Reuters (August, 15):
"However, volumes rose at the flagship Jebel Ali port in Dubai, where there was a significant uptick in out-of-schedule vessel calls due to the disruption."
<https://www.reuters.com/world/middle-east/dp-world-profit-more-than-halves-first-half-amid-middle-east-tensions-2024-08-15/>
- 4) Bloomberg (February, 02):
"Red Sea Attacks Force Firms to test New Land Routes Via UAE, Saudi"
<https://www.bloomberg.com/news/articles/2024-02-02/land-routes-via-uae-saudi-arabia-tested-to-bypass-houthi-menaced-red-sea?embedded-checkout=true>
- 5) Seatrade Maritime News (May, 10):
"As a result, the dwell time at Jebel Ali for ships larger than 12,500 teu has increased from around 1.5 days in Q4 2023 to 2.5 days in Q1 2024. But Hadland adds that it is not just the size of the ships that is the problem, holidays such as Eid al-Fitr and Ramadan, as well as the recent Dubai floods have added to the congestion levels too."
<https://www.seatrade-maritime.com/containers/red-sea-rerouting-causing-asian-port-congestion>
- 6) Hapag Lloyd (June, 28):
"Shipping from Arabian Gulf, Indian Subcontinent and Red Sea to Saudi Eastern Province? A Peak Season Surcharge is coming up."
<https://www.hapag-lloyd.com/de/services-information/news/2024/06/shipping-from-arabian-gulf--isc-and-red-sea-to-saudi-arabia.html>

We remain at your disposal for any further questions or requirements.

Yours sincerely,

M.G. International Group