Trickle turns into a flood as containerships opt for Cape Route

The number of containerships that have opted to use the Cape Route and bypass the Suez Canal has risen to a historic peace-time high. Since the end of March, Alphaliner has tracked at least 20 sailings that used the longer route via the Cape of Good Hope.

Rather unusually, even three westbound Asia - Europe headhaul sailings have opted for the Cape Route, all of them operated by CMA CGM. Carriers very rarely choose this longer route for the transit-time sensitive headhaul, but the current low bunker price and lack of demand in European markets, hit by the COVID-19 lockdowns, have suddenly made such moves viable.

In addition, nine eastbound Europe - Asia sailings and eight eastbound US East Coast - Asia sailings have also chosen to take the longer route to avoid paying the usual Suez Canal tolls. These diversion will cost the Suez Canal Authority (SCA) over $10M in lost charges. This comes on top of revenue losses from a record number of cancelled sailings on both the Asia - Europe and Asia - US East Coast routes since February.

These losses forced the SCA to grant further discounts to discourage ship diversions. After a first round of rebates for ships that return from Europe, announced on 30 March, proved insufficient, a new rebate scheme for containerships returning to Asia from Europe and North America was announced on 30 April (see page 2 for details). Several sailings nevertheless opted for the Cape Route in May - even after the higher discounts were made available.
SCA: Deeper discounts to discourage CGH diversions

Egypt’s Suez Canal Authority (SCA) has announced a new rebate scheme to incite containerships to transit through the Suez Canal instead of opting for the Cape of Good Hope route. The canal authority was forced to react to a major loss of traffic that became more and more evident over the past weeks and months.

A unique combination of a container tonnage surplus and rock-bottom bunker prices has increasingly prompted ocean carriers to avoid the canal and thus its fees - and re-route vessels via the Cape of Good Hope.

Typically, the drawbacks of the longer routeing would be mitigated by increasing voyage speed by a few knots, skipping ports, and adding a handful of days to service rotations.

While Cape diversions on the eastbound (backhaul) trade from Europe and North America to the Far East are not that uncommon, the historically low oil price has prompted CMA CGM to also send their westbound (fronthaul) ships to the longer route around the African continent.

The SCA had already reacted to this challenge on 1 April by implementing rebates of 6% for containerships, subject to a number of conditions. This toll cut is now extended, whereby the exact amount depends upon the ship’s routeing, with the breakdown as follows:

For Europe-related services, a discount of 17% applies to all container vessels that come ‘from ports at North West of Europe (and Tanger Med) till Algeciras and heading to (Port Kelang) and its Eastern Ports at South East of Asia and Far East’. The rebate refers to the baseline toll and it does not include surcharges levied for tiers of containers carried on the vessels upper deck.

For America-related services the discount is staggered, depending on the port of origin. Containerships coming from Norfolk and its northern ports and heading to ‘Port Kelang’ and its eastern Ports shall be granted a rebate of a 60%.

For ports south of Norfolk, an additional distinction is made: Ships destined for Port Kelang and its Eastern ports are granted a rebate of 75%, whereas ships destined for the range form Colombo and its eastern ports up to Port Kelang will be able to profit off a 65% discount.

All the aforementioned rebates are applicable as of 1 May until 30 June, based upon vessel departure from the last port of call before the Suez Canal transit.