



**MARINE**  
**PROTECT**

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# **Blank sailings:** **How to protect your cargo** **and your business**

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## WHAT IS BLANK SAILING?

**A 'blank sailing' is a cancelled voyage.**

Shipping is usually scheduled many months in advance and involves a ship calling into a string of ports. Ports use these schedules to organise loading and unloading, plan cargo movements and allocate resources as needed.

When a ship cancels a scheduled visit to a port of call, it becomes a 'blank' in the port's records. Blank sailings can be strategic - when an operator reorganises a ship's route - or tactical, in response to unexpected situations.

Blank sailings may occur when there's not enough cargo to load into a vessel, making its voyage uneconomic. Carriers might reduce capacity to affect the rates they can charge, or poor weather might delay a voyage, so stops are cancelled to make up time.

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**“Don't be afraid of the concept of blank sailings. Most people in logistics understand it does happen at specific times of years and lines do regularly blank for things like overcapacity to maintain their rate levels and profitability.”**

— **Kurt Herron**, Logistics Risk Engineer Marine, NTI

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## BLANK SAILINGS AND COVID-19

**Shipping lines typically run around 80% of their scheduled services. Maintaining their schedule's integrity is important for their reputation - they don't want to be seen as unreliable.**

However, while there have always been blank sailings, since the coronavirus pandemic struck there has been an uptick.

The virus's impact on China was felt throughout the world, with blank sailings on all major routes - to Australia, to Asia, to Europe, to North America - increasing. The pandemic caused businesses to slow their production and to order fewer goods; ports have been closed or operating at reduced capacity.

The blank-sailing rate peaked around Chinese New Year, with shipping lines running around 70% of their scheduled services (or even fewer; the figure varies by region and by carrier).



## IMPACT OF BLANK SAILINGS

Because they occur so high up the line, blank sailings impact almost the entire supply chain.



Ports are affected when slots for vessels are unexpectedly freed, which means shifts for dock workers are impacted, which knocks on to transport companies, through to warehouses.

As a result, freight and logistics staff have additional stresses for finding solutions for their clients. And then warehouses and transport companies have to deal with the inevitable backlog or delay.

Obviously, the consumer - whether it's a homewares customer waiting on the couch they ordered, a corporation exporting perishables or a patient needing medications - in turn experiences delays as well.

This means that an oft-overlooked impact of blank sailings is that most precious of intangibles: reputation.

The impact here flows in the opposite direction, up the line starting with the consumer. A shopper doesn't receive their goods, so they're unhappy with the small business they ordered from. The small business is unhappy with their warehouse, who blames their freight company, who blames the shipping line, and so on.

**“You might’ve bought something off eBay a while ago, and it’d be delivered in two weeks, whereas now you’re seeing that timeframe is changing all the time.”**

— **Andrew Kidd**, Head of Marine, NTI

## IMPACT ON AUSTRALIA

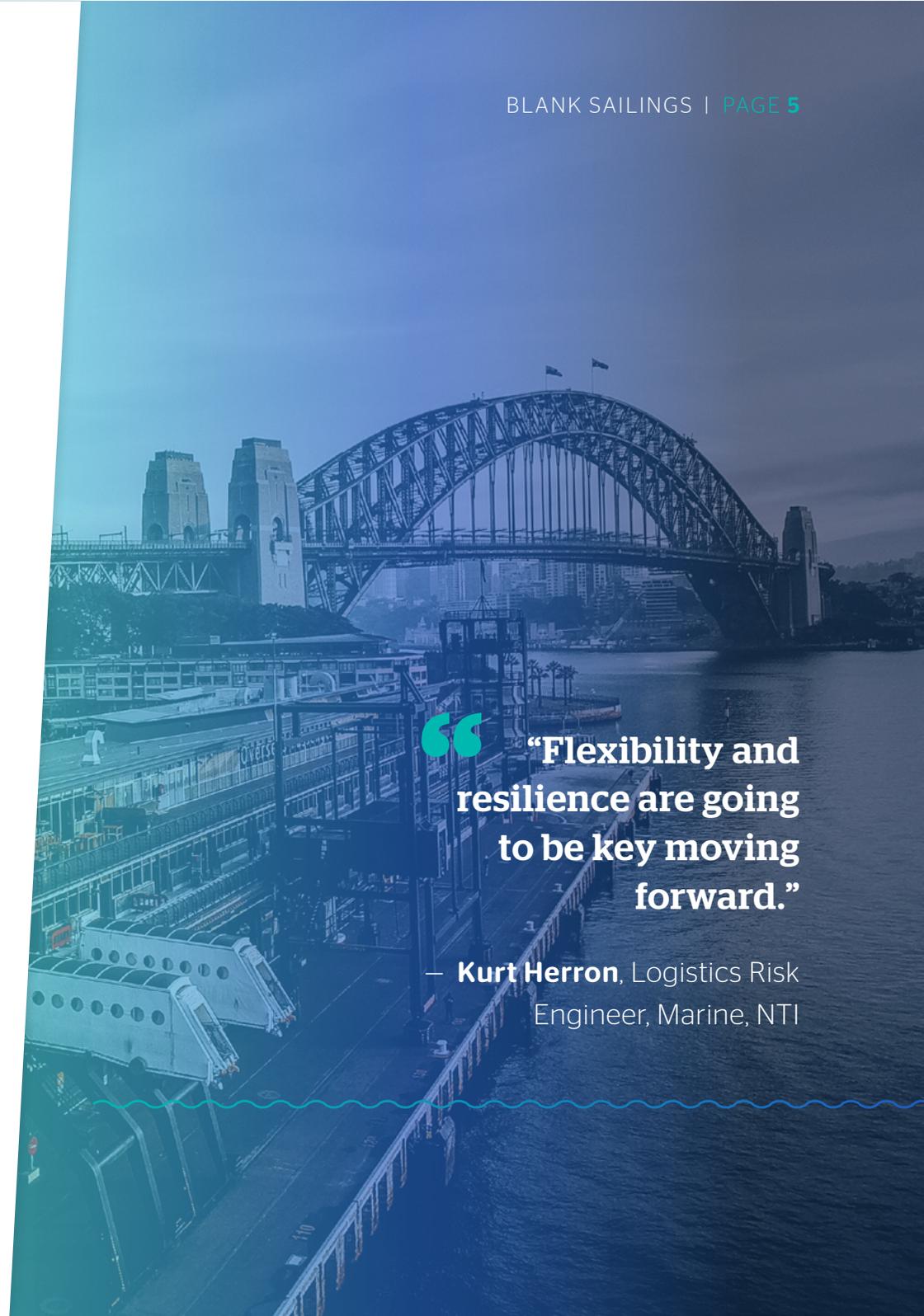
**“Australia conducts 98% of its trade through ports”, according to Ports Australia, which is no surprise given our home is girt by sea.**

Surprisingly however, Australia wasn't hit with blank sailings during the COVID period as hard as Asia's trade with Europe, which World Cargo News reported saw 29-34% of its capacity removed over a four-week period in April and May 2020.

Nonetheless, there definitely has been a shift in Australia and people have to look towards 'the new normal', which goes beyond wearing masks and maintaining social distancing. It will have a very real effect on the way we do business and what is regarded as reasonable in terms of our consumption expectations.

As a result, the just-in-time supply-chain model may not be the right one anymore.

It's also important to understand that we're not quite there yet - instead, we're still in a transition period between lockdown and the new normal.

An aerial photograph of a port area, likely Sydney Harbour, showing a large bridge (the Sydney Harbour Bridge) in the background and a dock with several ships in the foreground. The image is overlaid with a blue gradient and a wavy line at the bottom.

**“Flexibility and resilience are going to be key moving forward.”**

— **Kurt Herron**, Logistics Risk Engineer, Marine, NTI

## IMPACT ON AUSTRALIA-CHINA TRADE

**China is far and away Australia's largest trade partner, with the Department of Foreign Affairs and Trade's latest stats putting the value of our nations' partnership at \$194.6 billion per year.**

However, with reports in a [PricewaterhouseCoopers](#) study of "goods backing up along China's Yangtze river", the value of Australia's trade relationship with the world's most populous nation looks certain to drop.

The PwC study also found "the constrained supply of Chinese-manufactured finished goods ... will lead to revenue losses of 10% this year."

The knock-on issue is that while Australia is significant for Chinese trade, we are by no means China's most important export partner. This means that while China works to get back on top of its exporting obligations, Australia and Australian businesses are not its number-one priority.

The situation is by no means dire, but for most businesses it will be prudent to look for suppliers (especially manufacturers) in Vietnam, Malaysia and other territories.



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**10%**

**expected revenue  
losses this year**

## WHAT ABOUT INSURANCE?

**The key with maintaining insurance in blank-sailings instances is communication: as soon as you learn that one of your cargoes is on a blank sailing you should notify your insurer.**

But without good contacts in the shipping industry, it can be hard to learn if that's the case, so NTI accepts that deviations will occur and maintains coverage in most circumstances.

If goods go into a container park for storage, then they're out of the ordinary course of transit. They might be delayed getting to Australia because the voyage has been disrupted. These delays can be a particular problem for time-sensitive shipments, such as food or pharmaceuticals, and insurance cover is not automatically extended.

In such cases, we want clients to tell us what's going on, or what's changing, because the risk profile changes and policies might not be applicable.



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**We want to be really clear about what the coverage implications are and come up with a better solution for the customer that keeps them covered.”**

– **Andrew Kidd**, Head of Marine, NTI

## PROTECT YOURSELF AGAINST BLANK SAILINGS

**The best protection you can get against blank sailings is to diversify.**

We've seen a shift into more automated and digitised supply chains, which has allowed for highly optimised delivery. But it's also taken a lot of 'slack' out of the system - which means that when something doesn't happen exactly as planned, the knock-on effects throughout the rest of the supply chain can be severe.

Diversifying suppliers is a prudent strategy, especially if you have most of your suppliers or manufacturers in one territory. A China-based supply chain will be much more resilient if it's diversified across Vietnam, Malaysia and other territories.

Shifting away from just-in-time models and ordering to specification can also provide useful buffers, though we acknowledge the efficiencies they offer. But people have been caught out by recent disruptions and it's highlighted the need for flexibility.

