



GHANA SHIPPERS' AUTHORITY

CONTAINER DEMURRAGE IN GHANA— *AN OVERVIEW AND IMPACT ON ECONOMY*



EMMANUEL K. ARKU

HEAD, *RESEARCH, MONITORING & EVALUATION*

www.shippers.org.gh

info@shippers.org.gh





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INTRODUCTION

- **CONTAINER DEMURRAGE** has become topical – due to the huge amounts involved
- **Demurrage payments by shippers in Ghana:**

2010 - USD 40 million	-
2013 – USD 85 million	-
2016 – USD 95 million	- Rent GHC 43 million
2017 – USD 76 million	- Rent GHC 49 million





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THE CONCEPT OF CONTAINER DEMURRAGE

CONTAINER DEMURRAGE is derived from the concept of demurrage in charterparties in the bulk trades:

- 1. In the Charterparty, the Shipowner and Charterer agree on terms, including delays that may be caused by the charterer (demurrage to the shipowner) and when vessel is worked ahead of time (despatch to the charterer/shipper)**
- 2. This has been extended to the containerized trade (as containers are deemed to be part of the ship's equipment)**
- 3. Keeping Containers beyond agreed period thus attracts this charge (depriving the shipowner of use of the container)**





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THE CONCEPT OF CONTAINER DEMURRAGE contd.

- **Container Demurrage is avoidable**
- **Container demurrage only arises when a loaded container has not been unstuffed and returned to the Shipping line in the port or a designated container yard within an allowable time, usually 7-days after discharge from ship.**
- **Container demurrage is applied once the free time (depending on Shipping line) has expired.**
- **Container demurrage rates also vary (depending on the shipping lines).**





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CONTAINER DEMURRAGE CHARGES in Ghana

Container Demurrage Rates

PERIOD	CHARGE /DAY/20' Cont.	
	Min.	Max.
1 – 7 DAYS	FREE	FREE
8 – 14 DAYS	USD20	USD30
15 – 21 DAYS	USD25	USD45
Thereafter	USD40	USD55





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GHANA'S CONTAINERIZED CARGO ON DEMURRAGE

A study conducted by the Authority in 2016 revealed that over 85% containerized imports go on demurrage and storage rent





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FACTORS CONTRIBUTING TO CONTAINER DEMURRAGE

1. **SHIPPER/ CONSIGNEE ISSUES** that cause delays:

- Delays in the receipt of cargo documentation
- Lack of prior information on vessel arrivals
- Lack of funds to clear cargo
- Declaration of inaccurate information
- Non-compliance with regulatory requirements
- Deliberate delay due to some ulterior motives





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FACTORS CONTRIBUTING TO CONTAINER DEMURRAGE contd.

2. **SERVICE PROVIDER ISSUES** that cause delays:

- **Bureaucratic Shipping Lines operational procedures**
- **Unprofessional conduct of Clearing Agents**
- **Difficulty in locating containers at terminals**





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FACTORS CONTRIBUTING TO CONTAINER DEMURRAGE

contd.

2. **SYSTEM ISSUES** that cause delays:

- System Downtimes
- Teething problems of the PAARS and ineffective feedback system
- Bureaucratic Appeals processes





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IMPACT OF DEMURRAGE ON GHANA'S ECONOMY

- Dwindles Profits and Working Capital of Shippers
- Could affect sales volume of Shippers due to higher product costs on the market
- Could affect volume of imports
- Increases cost of living in the country
- Affects competitiveness of Ghana's exports
- It is a foreign exchange drain on the economy

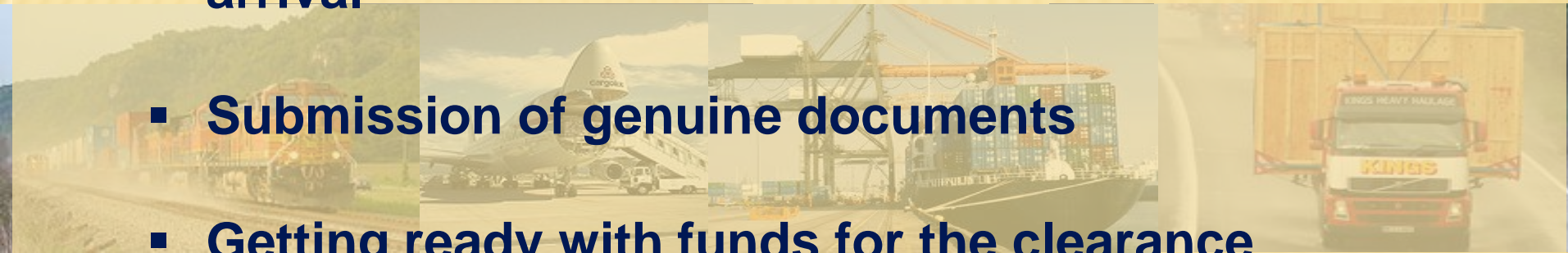




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RECOMMENDATIONS/WAY FORWARD

- Shipper education is required to ensure that Shippers do the right things such as:
 - Starting the clearance process before vessel arrival
 - Submission of genuine documents
 - Getting ready with funds for the clearance process
 - Securing licenses and permits before cargo arrival





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RECOMMENDATIONS/WAY FORWARD

- Full Automation of Clearance Process is required
- Integration of the various service providers' system is a necessity
- Need for a robust Risk Management System
- Need to beef up number of Customs Officers assigned to Physical Examination





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RECOMMENDATIONS/WAY FORWARD

- **Need to introduce system for easy location of Containers in the Port and terminals**
- **Shipping Agents need to improve upon their systems and customer service**
- **Need to improve upon training and performance of Clearing Agents**





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CONCLUSION

- DEMURRAGE IS AN AVOIDABLE COST
- IT IMPACTS NEGATIVELY ON THE SHIPPER AND THE ECONOMY AS A WHOLE
- SHIPPER EDUCATION IS REQUIRED TO REDUCE THE INCIDENCE OF DEMURRAGE TO THE BEAREST MINIMUM
- A PRE-ARRIVAL CARGO CLEARANCE REGIME IS KEY TO RESOLVING THIS PROBLEM
- FULL AUTOMATION OF CARGO CLEARANCE PROCESS WITH EFFECTIVE RISK MGT. SYSTEM IS CRUCIAL





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I THANK YOU

