

Carriers Face Renewed Container Shortage

Bruce Barnard | Mar 8, 2011 2:39PM GMT
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Production of boxes lags growing cargo capacity, according to Alphaliner.

Ocean carriers face a shortage of containers in the coming months as production of boxes lags growing cargo capacity, according to Alphaliner.

The box-inventory-to-vessel capacity ratio will drop to 1.99 by the end of the year from 2.03 in 2010, the Paris-based analyst forecasts.

This is the lowest ratio on record and compares with the capacity ratio of 2.99 boxes per slot in 2000.

By The Numbers: *2009-2010 Europe-Asia Eastbound Container Trade*

Back haul shippers from the U.S. and Europe will be hit hardest by the box shortage as carriers will need to quickly return empty containers to high demand locations in Asia, Alphaliner said.

Ocean carriers and freight forwarders are also predicting a shortage of boxes later in the year will drive up freight rates, mirroring the situation last summer when lines responded to a dearth of equipment by imposing peak season surcharges of up to \$750 per 20-foot container on the Asia-Europe trade.

The box-to-slot ratio has been shrinking gradually over the past decade, partly reflecting the more efficient management of equipment by container lines, according to Alphaliner.

Over the past decade the global inventory of containers grew 6.9 percent annually while the container ship fleet increased 11.1 percent per year.

The box-slot ratio dropped significantly in 2009 as the financial crisis prompted carriers and leasing companies to cull older boxes as vessel utilization levels declined.

Container manufacturers also ceased production of standard boxes in 2009 to focus on reefer and specialized equipment.

The acute shortage of containers, particularly on routes from Asia to Europe, as global traffic rebounded prompted Maersk Line to start manufacturing new containers and re-activate laid up vessels to reposition empty boxes.

The imbalance has stabilized since July, according to Alphaliner, as container manufacturers resumed production and carriers halted the scrapping of older equipment.

"The fall in [cargo] demand during the fourth quarter, following the end of the summer peak season, has also helped to bring back the balance."

While carriers appear better prepared for the coming summer season, the surge in box prices would dampen additional orders for new containers.

The industry has to adapt -- through faster turnaround of equipment, improved upkeep on old containers and extending the lifespan of boxes, Alphaliner said.