Container Shortage

There are several reports of a shortage of ocean containers, some experts claim the shortfall is nearly 6 million, especially as we enter this year's peak season. The imbalance has been created with the increased demand for the boxes (for example, China has reported exports reaching an all-time high of US$137.4 billion for the month of June, a 44% increase year-over-year and 4 percent higher than the May figure) coupled with the lack of orders for new containers during and immediately following the recent recession.

A few takeaways from this development:

- The price of new containers should increase. There have been some reports that a standard 20-foot dry box will cost US$2,750 up from just $2,000 at the end of 2009.

- Container manufacturers will face difficulties restoring full production capacity following cutbacks that started in October 2008. Annual production at two of the largest manufacturers is over 3.5 million teu (Twenty Foot Equivalent Units) but they are expected to make only 1.35 teu million this year

- The demand for containers will grow; new orders for 1Q 2010 alone almost doubled that of all of last year.

- One major ocean carrier has redeployed laid-up vessels to reposition empty containers to major world export centers like China.

- Ocean carriers will announce peak season surcharges that could well be the highest in history reaching, depending on trade lane, US$750 per 20-footer; $1,000 for 40-foot container and $1,200 for a 40-foot high cube unit. Shippers could also the emergence of container shortage surcharges.

- The shortage may last for some time with predictions as long as 2 years.

Recommended Actions:

While the reports on this topic have been consistent over the past days, some freight forwarders have asserted that while cargo volumes have increased they are in line with seasonal expectations and space can still be found on vessels. Furthermore, the container shortage has yet to have an impact.

Shippers could stay in close contact with their transportation providers and intermediaries and devise contingency plans that might include looking at different ports if bottlenecks or equipment issues arise and modal options such as ocean-air and air.

Whether or not the ocean container shortage is fact or fiction, shippers should continue carefully inspecting the equipment for suitability prior to loading their cargo into the boxes. A few minutes can make the difference between loss-free delivery and a cargo claim. A quick walk around the container and stepping inside (being sure to close the doors to detect any light entering) allow you to identify defects and damages that need repair or require the container to be replaced.

Here are some basics of container inspection:

A 7 point inspection process covering the following areas is recommended:

- Front Wall
- Left Side
- Right Side
- Floor
- Ceiling/Roof
- Inside/Outside Door
- Outside/Understructure

1- Walk around the outside of the container checking for obvious holes, punctures or other defects. While small dents, scraps and the like are considered normal "wear and tear", look for:
   a. Structural defects such as weld fractures, particularly at the corner posts.
   b. Heavily bulged or indented side panels or corrugations.
   c. Deformed, fractured or heavily corroded crossmembers on the undercarriage.
   d. Damaged, missing or inadequate landing gear, lights, reflectors and tire tread and inflation on the chassis.

2- Examine the doors and ensure that all hardware is operable. Check that the:
   a. Door hardware is original to the container. Examine closely the right door inner locking bar, door handle and locking hasp for any damage or unauthorized modification. Make sure the handle is secured with a rivet that cannot be removed without some evidence of tampering; for example, by drilling it out.
   b. Left hand door cannot be opened unless the right one is opened first. There should be a steel plate ("Customs Plate") that overlaps the left hand door. Inspect for any signs of bending and then re-straightening such as flaked paint.
   c. Door hinge pins to ensure they are intact and are not removable

d. Interior of the door hardware especially the fasteners at the right hand inner locking bars (top and bottom) and hasp. Again, there should be some tamper-evidence, in that the only way to remove these should be by destroying the fastener.

3- Look inside the container, checking for:
   a. Any repairs that are not consistent with your external inspection.
   b. Evidence of false walls, floor, ceiling or other concealed compartments (use a tape or other tool to measure the length, width and height to make sure the dimensions are consistent with those of the type of container you ordered. You can consult the steamship line for this information).
   c. Floors that are flush with the door threshold plate.

4- Walk inside the container and:
   a. Be sure it is clean, dry, free of any odor and in all aspects suitable to receive and transport your cargo.
   b. Close the doors to be certain they close properly and are not bent or bowed. Check to see that the gaskets are intact and in good condition (not cut, torn or cracked). Also, determine if any light enters through any undetected holes or other openings.
   c. Check the roof bows to ensure they are not bent, deformed or pulled free.
   d. Check for missing, buckled or rotted floor boards.
   e. Ensure there are an adequate number of lashing fittings, such as padeyes or other tie-down points, to allow you to properly secure your cargo within the container.

Containers in poor condition can expose your cargo to damage, most especially from water ingression. In this environment, using substandard equipment may help you get your goods to market quicker but if they arrive damaged, what has been gained?

Barry Tarnef
Chubb Marine Underwriters
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