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CONTAINER CRUNCH

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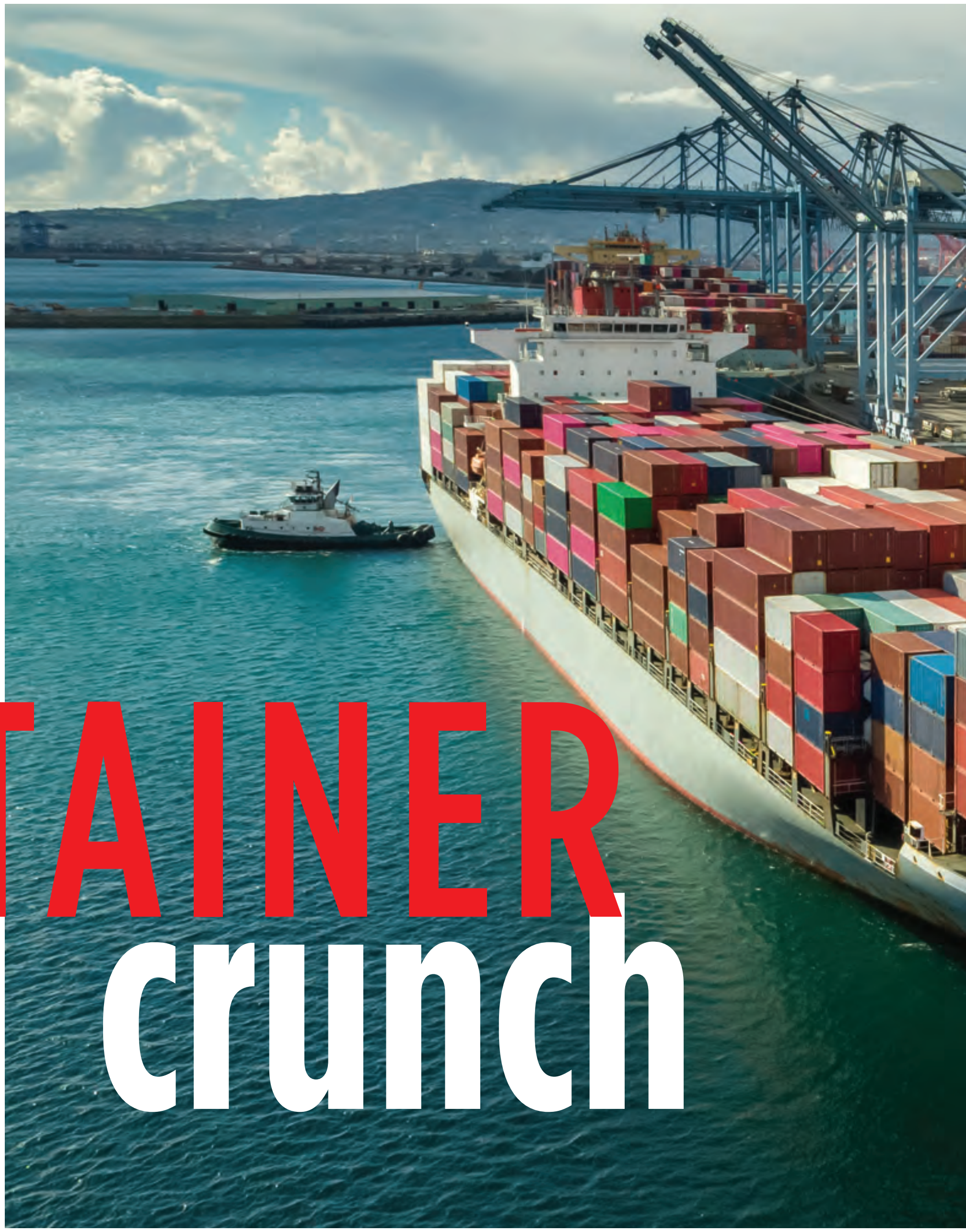
The global container **shortage** continues to disrupt supply chain operations

CONTAINER crunch



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For Jordan Atkins, local issues related to keeping containers moving are normally the toughest part of his job.

Atkins is vice-president of WTC Group, a grain trans-loading company that handles roughly 2,000 intermodal containers each month at three terminals in the Port of Vancouver. The company was founded by his father in 2005, and has grown into an end-to-end, export/import logistics service provider with 100 employees

These days his biggest challenge is dealing with vessel delays, container shortages and the availability – or lack thereof – of drastically price-inflated space aboard outbound trans-Pacific ocean carriers.

"We usually have bottlenecks here at home, but the railways are running smoothly this year," said Atkins.

"Our big problem since November has been finding extra boxes and space on ships. That's led to major backlogs and goods sitting in warehouses."

That is a common refrain among shippers, freight forwarders and manufacturers in Western nations as ports and marine carriers continue to grapple with whipsaw disruptions in the global supply chain and congestion caused by near-record imports of containerized goods from Asia since last summer, along with a shortage of containers that is being blamed for huge spikes in shipment costs.

The problems have been compounded by the Suez Canal traffic jam and, since May, waves of coronavirus infections at several manufacturing and exporting hubs in southern China that have stopped vessels from entering ports like Yantian and led to restrictions on the handling of export-bound containers.

"We think the problems will continue well into 2022," said Julia Kuzeljevich, public affairs manager for the Canadian Inter-

national Freight Forwarders Association (CIFFA).

Kuzeljevich said there is "concern" among freight forwarders – mostly non-asset based logisticians – who must explain shipping delays and added costs to miffed customers, that ocean carriers are prioritizing a speedy return of empty containers to Asia because they earn multiple times more in fees by refilling and shipping them back to Western countries.

Price gouging

She said the many surcharges carriers also apply, including one for Covid, are widely seen as price gouging – a perception that has led to investigations on the issue by the Washington, D.C.-based Federal Maritime Commission.

"It's on our radar," said Kuzeljevich, adding that the CIFFA is conducting a letter-writing campaign to government calling for an inquiry into the causes and effects of the supply chain backlogs.

Though the Port of Vancouver turned down requests for an interview, cargo statistics show its container terminals received nearly a half-million imported containers in the last six months of 2020 – a 17-percent increase over the same period in 2019. During the same period, however, the port shipped out just over 160,000 empty containers – a 26-percent increase from 2019.

According to Atkins, that illustrates the squeeze in the availability of empty containers needed to get cargo loaded that his family's company has been dealing with. "We're seeing a backlog of export products across the board," he said.

Origins of chaos

For American global supply chain management scholar Chris Tang, the container shortage is both a manifestation and a symptom of systemic problems in global manufacturing and trading systems that were laid bare by the pandemic.

"You have to step back and look at the underlying causes," Tang, a professor of business administration at UCLA, told *Inside Logistics* from Los Angeles. "Covid-19 created the perfect storm for a crisis."

According to Tang, the sudden shutting down of Western economies in March 2020 – just when factories in China began to reopen after the successful containment of the outbreak there – led to a sudden surge in consumer demand here for imported stay- and work-at-home products like furniture, computers, and sports and entertainment equipment.

The vast majority of those goods are carried by container ships in a maritime market estimated to account for 60 percent of all sea trade, with an annual value (in 2019) of US$14 trillion.

It took several months for manufacturing systems in China to restart and retool to meet the shift in demand. "They're like steam engines," Tang said. "You need to boil the water and build the steam needed to get them going down the track."

By last summer, he said, production and shipping from China had ramped up to record volumes. Most Western countries, however, were still under Covid lockdown. In addition to public health directives like social distancing and mask wearing that slowed port operations, Tang said generous federal Covid payments in the U.S. and Canada exacerbated the longstanding shortage of truck and delivery drivers and depleted the ranks of other supply chain

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workers who handle containerized goods.

"People were staying at home and were in no hurry to go back to work," Tang noted. "Everything slowed down and backed up."

Backlogs, costs and shortages

By Christmas, container-laden ships were spending up to six weeks offshore from the Port of Los Angeles/Long Beach, the continent's biggest port of entry for containers. Though the situation has since improved then, Tang said ships are still waiting 10 to 14 days to unload in major West Coast ports.

"That has driven shipping costs through the roof because, like airplanes, ships generate expenses even when they're not moving," said Tang.

Before the pandemic it cost US$3,000 to ship a container from China to L.A. "Now it's $10,000," said Tang.

He added that many containers that have made it ashore were not shipped back to Asia due to Covid-19 restrictions. That has resulted in empty containers being stranded at inland depots and a tightening of supply.

"It's not a regional thing," said Tang. "It's a worldwide problem stemming from international trade imbalances and the gumming up of logistics and supply chains. It'll take a long time to straighten out."

Nils Haupt agrees. "The situation is very chaotic and uncertain right now (and) it's hard to know when it will ease up," Haupt, senior director of corporate communications for Hapag-Lloyd, said.

Hagag-Lloyd, which acquired CP Ships in 2005 and counts Vancouver, Prince Rupert, Halifax and St. John's among its Canadian ports of call, is the fifth-largest container ship operator in the world behind APM-Maersk, MSC, COSCO and CMA CGM.

According to Haupt, container shippers were losing millions of dollars a day in the early days of the pandemic, when world economies and trade all but stopped and ships were taken off line due to lack of demand.

Since last summer, however, the flood of containers from Asia continues to overwhelm ports, railways, trucks, warehouses and other supply chain-linked companies and facilities, creating backlogs throughout the system and playing havoc with schedules, costs and logistics.

"It usually takes 50 days for a container to journey on water and land from China to Hamburg and back," said Haupt. "Now it takes 60. That's 20 percent more time and creates a need for 20 percent more containers."

He said the situation has pushed Hapag-Lloyd's resources to the limits. "We have a fleet of 241 ships and all of them are sailing and all of them are full," said Haupt. "We're now in the busy third-quarter Christmas business."

Ship orders

To meet demand in an industry that is growing three to five percent annually regardless of the pandemic, Haupt said Hapag-Lloyd is recycling and/or renting older ships. It has also ordered six new ships with 23,500-TEU capacity for delivery in April 2023.

> **"We dont like to make money and have unhappy customers. We hope the situation might ease up, maybe by the fourth quarter."**
>
> *– Nils Haupt, senior director of corporate communications, Hapag Lloyd*

The company is trying to optimize its 2.7 million containers (industry leader APM-Maersk has more than four million) by reducing refill and emptying times, using switched-off reefer containers to carry dry goods, and asking customers to return empty boxes ASAP.

Haupt defended the spike in container shipment prices that the big shipping lines have applied to most major trade routes in recent months, saying profits were a welcome change. "Most carriers had losses from 2009 to 2019," he said. "But we don't like to make money and have unhappy customers. We hope the situation might ease up, maybe by the fourth quarter."

He also expressed hope that the pandemic will lead to closer ties in what he called "a very volatile" shipping industry. "We think we need a closer cooperation between customers, shipping lines and port terminals so we can be better prepared for situations like this in the future," he said.

MSC said that in the first half of 2021, its started eight new services and deployed hundreds of thousands of additional containers. "We have also been diversifying the portfolio of available ports to alleviate some of the pressure from the more congested areas, rerouting cargo through other gateways, adding terminals, and diversifying inland with the railroads," said the world's second-biggest container carrier in an email.

In Canada, MSC said "inland logistics have been a significant hurdle with inland locations becoming congested and unable to cope."

The company has notably piloted short sea movements between Toronto and Montreal in recent months "to leverage the capacity in the [St. Lawrence River] and the Great Lakes."

For Canadian shippers and handlers, container capacity, vessel integrity and the "bunching" of ships at ports waiting to unload remain the biggest concerns for port and rail terminals, carters and freight movers of all size and stripe.

A bright spot

For his part, Daniel Dagenais, vice-president operations at the Port of Montréal, said his facility has mostly turned the corner on the disruptions the pandemic caused to global supply chains, the container shortage, and the years-long labour conflict with 1,150 longshoremen that flared up with an 11-day strike last summer and another in April that was cut short by a federal back-to-work order.

"[Things] have improved quicker than expected as a result of the great efforts and collaboration from our terminals, rail and trucking partners," Dagenais wrote in an email.

He said there is no congestion and no vessels at idle. Except for episodic gate congestion, in terms of overall fluidity, he said the port is "doing very well. We handle 10 to 12 container ships per week, there is no waiting time at anchorage and import for rail dwell times is now less than two days." IL