

Shipping's container chaos to continue, DP World exec says

The chaos being experienced in the global container shipping industry is expected to continue for some time with a shortage of an estimated four million boxes creating havoc with congestion, routes and freight rates, according to an executive at logistics conglomerate DP World.

Andrew Hoad told the Bureau of International Recycling's (BIR) annual convention that shipping and leasing companies opted to pause production of containers in April-June 2020 due to expectations of lower demand during the Covid-19 pandemic.

This meant that around 1.0 million twenty-foot equivalent units (TEU) of new containers out of 3.5-4.0 million TEU typically produced in a year were not injected into the global logistics system, estimated Hoad, DP World's chief network officer, supply chain and logistics.

This is equivalent to 2% of a fully-serviceable global fleet, estimated by DP World to be around 50 million TEU, he noted.

The container shortage was significantly compounded by a period of restocking in the wake of Covid-19 along with massive congestion in ports, which added to the supply issues, he added.

"I don't think it's too much of an exaggeration to say that the world has run out of containers. For certain industries, the ability to access a container has now become a critical competitive weapon and I never thought I would see a day where that was the case," Hoad told a panel discussion hosted by Michael Lion, chairman of the BIR's International Trade Council and president of Everwell Resources.

"Within DP World, we don't see that changing this year... Every discussion now is about when [the situation] might change during 2022," he said.

The container shortage has [hiked freight rates for goods including metals and minerals](#), making their movement [increasingly challenging](#).

The Shanghai Containerized Freight Index, which tracks the average spot rate of shipping containers from Shanghai on 13 key shipping routes, has more than tripled over the past year to a record of 3,495.76 on Friday May 28.

The shortage has also led to a [revival of interest among commodities participants in breakbulk vessels](#), although this is not an option suitable to all cargoes.

Hoad noted that the United States is meanwhile in the midst of the largest restocking event in its economic history, with demand enabled by unprecedented access to e-commerce platforms.

"Already, the logistics system was under strain a bit because Covid-19-related factory shutdowns meant a lot of containers ended up in the wrong place in the world; the normal balance was disrupted," he said.

"Then, when this avalanche of demand came - and Europe really is on the same pathway as the United States - we got congestion," he added, citing ships anchored outside Los Angeles port or waiting up to ten days to berth in main north European ports.

"When you get congestion in some of these big deep sea routes, you probably need an extra 10% of containers to just cover the fact that everything is moving very slowly. Then you get these pockets of containers in surplus locations where the ships haven't got time to load all the empties out because they can't get on the berth," he told the panel.

According to Hoad, "the one thing we can be certain of in the next two to five years is there is going to be a lot of disruption and the chances of strange events happening like this" are increasing.

Factors such as environmental regulations, reshoring of supply chains to move production domestically where possible or nearshoring to bring supply chains closer to home, along with factories in China relocating to Vietnam and Indonesia would create "a period of much more uncertainty than we've had since the oil crisis of the 1970s," Hoad said.

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