Tools of the trade

The great scramble for containers triggered earlier this summer by the strong rebound in cargo volumes has largely been brought under control. But as Rachael White* reports, there are management tools that can be used to make this process more effective.

Container shortages were stealing the headlines almost daily in June, July and early August, with this magazine examining the issue in detail recently (see 'Storm in a teacup', September 2010, pp33-35).

To recap, ocean carriers worked hard to reposition equipment quickly to regions of demand, they hired in more boxes and some took the decision to buy some new containers themselves.

However, ongoing cost pressures, difficulties in securing finance for new purchases – the current high price tag of around USD2,800 for a 20ft dry freight unit has not helped – and a Chinese box building industry not yet back up to full strength hampered the process.

It was exacerbated further by carriers' slow streaming strategies which generally cut average per container trips from five a year to four.

While an estimated 1.2-1.9 million TEU of new dry freight boxes will be produced this year, compared with only 300,000TEU in 2009, it will still be well short of the three million TEU plus units delivered annually between 2004 and 2008.

Lessors have helped take up the strain this year and in the process gained market share and achieved improved utilisation levels (over 95% on average).

'I haven't seen anything like this in my 30 years in the industry,' said one senior leasing executive.

But with lease rates also hitting record highs, and lessors facing the same new box price hikes as their ocean carrier counterparts, logistics managers are increasingly, having to juggle immediate supply pressures with the cost implications of taking on board expensive new equipment.

In addition, most of the containers are being made available on only five-to-eight year rental contracts.

It's a delicate balancing act for logistics managers, especially with analysts warning that the economic recovery is not 100% secure.

Brian Schultz, vice president of sales at IAS

Such events emphasise the need for ocean carriers to achieve maximum fleet efficiencies in terms of cost, availability and velocity and that starts with knowing the status of containers in the pool.

'In these times of scarce equipment, it's more important than ever to know what is on hand and that also means units in the repair cycle', said Douglas Owen general manager Europe, Middle East, Africa and the Asia-Pacific for International Asset Systems (IAS).

'Visibility is essential and obtaining this starts with having clean, reliable data and then having a standard process and the tools and automated alerts to ensure equipment is estimated and repaired quickly and made available immediately.'

Headquartered on the US west coast, 10-year old IAS provides web-based Software-as-a-Service (SaaS) products to improve business processes, communications and equipment tracking between the various parties along the 'container hand-off chain'.

Its common operating platform is the IAS Hub, which supports all of its SaaS applications. It connects over 7,000 users in more than 70 countries, including ocean carriers, lessors, depots and terminals, 3PLs and freight forwarders, truckers, intermodal operators and beneficial cargo owners (BCOs).

Its applications include:
- IAS EventManager, an on-demand web system for managing event data along the transport chain
- IAS DispatchManager, which links ocean carriers, BCOs, 3PLs and NVOCCs to haulage companies for work order processing
- IAS InterBox and InterChange to help manage equipment imbalances in the US domestic and deep-sea markets respectively
- IAS slotXchange, an independent container slot marketplace.
- IAS EquipmentRepair, the company's most widely-used application and one that is highly significant given the existing tight supply situation, automates the container repair checking and approval process. It links depots, shipping lines and lessors.

According to Owen, 'it is during the maintainance and repair (M&R) cycle, when boxes are out of the productive working loop, that some of the most significant efficiencies stand to be won or lost.

- Improve this and it can have a visible impact on container turn-times.'

Although many liner companies use the IAS solution and others have developed proprietary web-based systems, Mike Baldwin, president of ConGlobal Industries, said that 'many of its clients still sent repair approvals by email and/or fax adding one ot two days additional time to the repair process.'

ConGlobal which operates 21 container repair and storage depots in 15 US cities, plus Costa Rica and Mexico with a combined capacity of 170,000 TEU, has experienced first-hand the volatility in container utilisation levels this year.

Baldwin explained: 'We have seen

EXECUTIVE SUMMARY
- Equipment shortages necessitate that carriers use their containers more intensively
- The use of web-based SaaS solutions can ease the flow of information and streamline the M&R process
- Transparency and use of data mean that ocean carriers can adjust and manage their M&R programmes much better

a year of complete extremes, with the number of containers in our depot network falling from record highs of 130,000 idle TEU per day in January to lows of 73,000 TEU per day in July.

'Units with high repair costs that would normally have been sold have been repaired for reuse and we have come under significant pressure to get units repaired more quickly.'

He along with Brian Mellen, head of systems at ConGlobal, argued that the use of automated two-way information flows built on standard business processes and rules were key to productivity enhancements.

Mellen said: 'When depot and shipping line systems are synchronised, the depot management system gets updated more efficiently and quickly and this helps relieve the pressure on turning around equipment.'

Baldwin added: 'IAS offers this standard EDI system of messaging and data transfer and this takes time and errors out of the administration process both for us and the shipping lines. 'No modification is required and new users can just plug straight into it.

'Simply put, EDI gets equipment turned faster while carriers with their own systems don't always have the ability to accept and send data electronically.'

According to Phil Behenna, senior vice president of business development for IAS, carriers adopting its EquipmentRepair module achieve average reductions of about three days in their container turn-time through a typical M&R cycle.

He explained that for linehaul carriers averaging four-five trips a year with a container this translated into an overall gain in utilization levels of about 4%.

On a fleet of 100,000TEU, that means an additional 4,000TEU of containers available for active service during the year, an extremely important num,ber given the recent shortages.

'Our focus today is all about managing our container fleet to cover all bookings and avoid taking additional equipment on board', said Bernard Vidil, a director at Marseilles-headquartered liner company MARFRET Compagnie Maritime.

The group serves the trades between the Mediterranean and northern Europe and the Maghreb region, Caribbean, South America and the South Pacific and has an equipment pool of 17,000TEU.

'We use IAS EquipmentRepair and it has allowed us to keep a lid on our "new container spend" in these uncertain times,' said Vidil 'But more significantly, it has enabled it to cover more bookings.

He elaborated: 'With one click we are now able to see stock levels and the repair status of equipment in our main repair areas of Europe, Australia and New Zealand.

'The system provides a quick view inventory when one is under pressure to provide containers for bookings and it is quick and easy to speed up the repair process.'

He claimed that IAS EquipmentRepair had been directly attributable to MARFRET securing additional traffic simply by having the equipment available compared with its competitors.

'We are happy to take theses bookings as just increasing our shipments in one location, say by five containers a week is an important increase in revenue.'

But it is not only about the physical repair process. As IAS stressed, good turnarounds are as much about accurate (good) data interchange.

'Many ocean carriers have regional solutions for their M&R processes, and not a global approach and this leads to gaps in their information flow,' said Brian Schultz, vice president of sales at IAS.

'A good global system-of-record gives equipment owners the confidence to make swift and intelligent decisions about what to do with their boxes – repair, survey, reposition, sell-off, etc.'

New filtering tools in the latest IAS EquipmentRepair release (Version 3.0) allow shipping lines to instantly sort containers by type and location, age, repair type and the estimate cost. Combined with preset franchise levels – estimate thresholds below which boxes are automatically approved for repair – and automated alerts, the new tools allow logistics managers to move to management by exception while maintaining close control of the M&R process.

Meanwhile, automatically-generated repair statistics on boxes falling below the franchise level help managers make informed decisions about adjusting their thresholds to improve equipment turn times, said IAS.

Conversely, the system will pick up on any non-compliant authorisations. If a local office trying to turn boxes around

quickly happens to accidentally approve USD1,500 of repairs on a 15-year-old box, an automated alert will land in the local manager's inbox, or in someone's inbox at head office.

The new screens in the system also show who last updated the estimate and when. This allows for the identification of delay times and repairs outstanding by type and location and gives logistics/equipment managers a detailed insight into where delays occur.

Ocean carriers can then review this data and set up an automatic repair approval process by equipment type, depot and age of unit, among many other criteria.

'Before we adopted the system, our repair process was administratively intensive and very complex,' Vidil said. 'We can now see average repair costs and can exert better control over the process, as well as reducing our costs.'

The MARFRET executive also highlighted that use of the EDI repair module had enabled the company to 'take out a tier of management from the M&R process' and bypass the involvement of local shipping agents.

'With no swift end in sight to the current equipment squeeze, and the longer term ramifications of slow steaming, the current breed of web-based asset management technologies confer clear benefits both for container utilisation and cost control, argued IAS.

Following the basic principal that 'if you can't measure it, you can't manage it', the company is also now looking to draw on the extensive statistics it has built up over the past 10 years to provide a benchmarking service, which will allow lines to compare their repair costs and turn-times against an aggregated average of all the other operators using the system.

This should enable ocean carriers to manage their equipment even more efficiently and to the squeeze their assets to maximum effect.

Rachael White is an experienced B2B conference producer, event manager, marketing and public relations consultant. She is event director of the Cool Logistics conference, secretary general of the Port Equipment Manufacturers Association and a managing partner at Cameron Maritime Resources Public Relations.

Bernard Vidil: Director at MARFRET