



ARNOLD ADVISOR

CHALLENGING TIMES FOR OCEAN SERVICES

Soaring demand for ocean carriage has created challenges for international movers. Container availability is the issue. Carriers are shifting vessel service out of the U.S. to alternative trade lanes, thus reducing capacity and creating significant backlog. Customers can no longer get service on short notice. Price has become less important to the service selection process. Containers are more available in the port areas of the country and more scarce at inland terminals, like Indianapolis, St. Louis, Dallas or even Chicago. The East Coast is more congested than the West Coast. When containers are immediately available in port areas the container will load on time, but they often sit, waiting weeks for a container ship to pick it up, thus accumulating storage charges. At the inland locations, bookings require a 4-6 week notice.

What's Causing This?

A complexity of economic factors have lead to this service deterioration. There aren't enough ships to service world shipping needs. A weak U.S. Dollar has given rise to demand for U. S. goods and services in areas of the world with stronger currencies. However, the trade lane between Asia and Europe is more valuable to the carriers, resulting in them pulling capacity from the U. S. Market and shifting to the more lucrative Asia/Europe market. Oil prices have also played a role causing ocean carriers to slow their speed, thus calling on ports less frequently.

What's the Solution?

More supply will bring relief, but carriers are in no hurry to provide it. Ocean carriers have experienced slim margins for a long time. Now, they are enjoying higher margins. While new bigger ships are being built, they aren't expected to be in service until 2010 thru 2012. The lowest cost carriers are out of capacity. The higher priced carriers still have some space to sell. To avoid delays and frustrations from your employees who are relocating internationally be sure to book shipments with as much advance notice as possible (4 to 6 weeks), avoid the "low price" suppliers, as this will most likely result in time consuming order changes. Be sure you are dealing with a reputable, licensed, experienced international supplier.