

## ECG publishes new version of its Capacity Crisis Briefing paper including March 2023 update

However, the update indicates that many problems persist, and the FVL industry remains heavily impacted by lack of capacity. What is now becoming a major factor in the overall situation is a fragmenting of the market with shippers taking control of dedicated resource that reduces the efficient use of assets even more.



In Road transport, since December 2022 significant orders have been placed for car transporters. Lead times for trucks remain long (15 months or more) despite some cancelled orders from the general haulage sector, as a result of the economic downturn, freeing up spots for delivery this year. Lead times for trailers now extend well into 2024 as these specialist manufacturers are struggling to rebuild capacity.

However, the efficiency of the overall fleet is now being further, and significantly, impacted by several factors.

Transporters being leased for dedicated use by a few customers are very inefficient to operate.

Port congestion has led to changes in networks and the use of new ports as well as restrictions on access to port terminals due to congestion.

Both of these factors have dramatically impacted efficiency with increased levels of empty running and a consequent reduction in the overall capacity of the market.

Additionally, the driver shortage persists, and new laws such as the Mobility Package and the revised cabotage rules are also having a negative effect. Moreover, increasing weight of the vehicles being carried as electrification gathers pace is reducing load factors. Taken together the sector is suffering a 'perfect storm'.

Confidence is returning in shipping too, with increasing order books for Ro-Ro vessels based on data received from Vessels Value. However, the expected improvement for 2023 is marginal as 12 vessels are to be delivered and 4 vessels are predicted to be removed.

VesselsValue noted that "The order book has swelled over the last 12 months which is positive for OEMs. No midsize or small PCTCs were ordered last year which is ominous for shortsea LV trade. OEMs ...have increased their chartering activity of late taking deepsea tonnage on 5-year deals. An interesting trend to watch, along with LV trade volumes flowing into Containers."

Worryingly, 5 or 6 more vessels are expected to leave European waters in the months ahead for the Asian market which, combined with the lack of any new short-sea tonnage, causes further concern. While VesselsValue expect global capacity to catch up with demand in 2025 the short-term offers few solutions. The dramatic shift to containerization in recent months being driven by this as well as the huge fall in container rates as ro-ro rates have risen.

Port congestion continues and, on top of that, heavily congested terminal operations add to the problem.

Rail little has changed here and the reduction in capacity stemming from the infrastructure problems, principally in Germany, continues to put increased pressure on other modes, mostly road. Over the winter of 2022/23 things have improved, with lower volumes than expected and improved circulation times, but even so wagons remain in tight supply. However, coming into Spring the infrastructure works ramp up again and there is also a likelihood of industrial action in Germany in the months ahead.

Mike Sturgeon, Executive Director of ECG said "Overall there remains little positive news in the short term simply because assets cannot be created overnight. Capacity everywhere in the FVL sector remains exceptionally tight with efficiency of assets and other operations all negatively impacted by the situation" While looking further ahead things look more positive with investments being made, 2023 will be a challenging year for the industry across Europe.

You can view the paper here



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