Some easing of congestion at European ‘auto’ ports

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There’s a traffic jam at Europe’s auto ports as Chinese EVs plug up the auto supply chain. But the good news is that it now may be easing.

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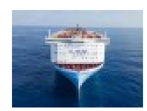

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Last month, a report in French newspaper Le Monde carried the dramatic headline: 'Belgium's ports drowning under glut of Chinese electric cars: Some are parked here for a year, sometimes more.'

It went on to note that due to China's surplus production and a surge in exports – as it aims to capture a quarter of the European electric vehicle (EV) market – the now-merged ports of Antwerp and Zeebrugge were currently inundated.

However, several weeks on, there are signs that congestion is easing at Europe's biggest maritime gateway for new vehicle imports and exports and where close to 3.6 million units were handled last year compared to the pre-pandemic total in 2019 of 3.8 million units.

"In our view, I think things have moved on a bit and settled down since earlier this spring. While European 'auto' ports are still full and there's a lot of stock on the ground, there appears to be a reduction in the level of congestion and in the delays to shipping,

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at least for now," Mike Sturgeon, Executive Director, of the Brussels-based European Car-Transport Group (ECG), also known as the The Association of European Vehicle Logistics, told *AJOT* in an interview.

Revealing the impact the congestion had at its height, the ECG's Executive Director designate, Frank Schnelle, highlighted "the dramatic situation" of vessels waiting outside ports for up to seven days before unloading vehicles.

"This was something the shipping lines could ill-afford and along with all stakeholders in the auto supply chain, they are now committed to finding and implementing contingency solutions to lower the cost of this disruption."

For example, ships are being re-routed to alternative ports, such as Vlissingen, in the Netherlands and Le Havre, in France.

Meanwhile, the efforts of port authorities and auto terminal operators are focused on creating additional storage capacity but securing space to rent in the vicinity of the ports takes time, Schnelle underlined.

Evidence of the squeeze on space in vehicle compounds, at Antwerp multi-deck car parks are under construction and are already starting to be used for storage.

One major Ro/Ro shipping line and vehicle logistics specialist, Norway-based Wallenius Wilhelmsen, which has its main European hub at Antwerp-Zeebrugge, played down the impact of the congestion.

"I can't speak for other terminal operators but for us, we are operating as normal at Antwerp-Zeebrugge. We have two terminal sites at the port where import and export vehicles are temporarily stored before they are either loaded to vessels (exports) or onto trucks (imports) to their next destination. Neither of these sites are close to full."

ECG's Sturgeon also emphasized that because of the lack of capacity, storage costs for vehicles have gone up. "Storing cars is not a cheap business and it could lead to long-term stock maintenance programs having to be put in place. It's not really in anybody's interest to build cars for stock."

While ECG's recent cross-checking of the congestion situation indicates no major delays in vehicles coming in and out of Europe's auto ports, this does not mean they are arriving at dealerships or to end-consumers as would be the case under normal supply and demand conditions.

"Stocks are sitting in port terminals, in compounds and in inland terminals not because there's a backlog in deliveries, due to a shortage of trucks or whatever, but due to the simple fact that there are more cars available for sale than customers buying them," Sturgeon explained.

He noted that in the case of the Italian port of Livorno, which has been one of the worst-affected by congestion, some additional storage space has been created to facilitate vehicle flows through the port. "But capacity relief doesn't really solve the current, fundamental problem facing the European market which is record high stocks – compared to record lows two and a half years ago."

The European market is in a stable phase and only expected to grow very slightly over the next few years. So, the overall stock situation is not going to improve until production is reduced and there are no obvious signs of that happening.

"I'm sure that some of the OEMs are engaged in this individually, but the market as a whole is not doing enough to really move the needle on vehicle storage across Europe."

China’s EV Export Tsunami

Figures for Chinese manufacturers show that their global exports totaled over half a million cars in both March and April and there’s little or no evidence of them slowing up at all, Sturgeon observed.

“So, we can assume at this stage that there’s no change in Chinese production and they’ll continue to pump out high volumes, including those to Europe.”

The surge in Chinese exports may be partly explained by the anticipation of new trade tariffs being applied in the coming months in both the US and Europe.

New customs duties imposed by the Biden administration on electric vehicles are due to come into force on 1 August with tariffs set to quadruple to 100%.

In Europe, a decision on new customs duties on Chinese electric cars is thought to be imminent.

Meanwhile, the projected expansion of the world's car-carrying vessel fleet over the next few years risks worsening port congestion, according to Wallenius Wilhelmsen's CEO, Lasse Kristoffersen.

In an interview with *The Financial Times*, he said it was unlikely terminal operators would increase port capacity at the same rate and that as a result, congestion at ports would worsen. "We think the next big bottleneck will be terminals and distribution."

His comments were confirmed to *AJOT* by a company spokesperson.

The newspaper reported that shipping capacity has been flat for the past 10 years, but the number of vehicles moved last year increased by 17% on 2022, filling nearly all the available ships.

Quoting data from maritime consultancy MSI, it said operators have responded by placing orders for 198 new ships that are due to arrive by the end of 2027.

Sturgeon said that the vessels on order were all high-capacity ones – 9,000-10,000 CEU. "But I would argue that handling such volumes would only represent a challenge for the ports if OEMs keep producing more cars than they are selling."

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