Box shipping freight rates fall by half over 20 years

Carrier attempts to reduce costs through operational efficiencies have been passed on to customers, slashing average freight rates over the past two decades

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Inflation-adjusted rates have come down by 50% as fuel costs rise to account for 15% of costs

CARRIERS HAVE PASSED ON EFFICIENCY SAVINGS TO CUSTOMERS IN THE FORM OF LOWER RATES.

CONTAINER freight rates have fallen by over half in the past 20 years after inflation is taken into account, according to a new analysis by Alphaliner.

While average nominal freight rates, as measured by the China Containerised Freight Index, have declined by more than 20% since the beginning of 1998, inflation-adjusted freight rates have shown an even larger reduction, because bunker prices have increased more than five-fold since 1998.

“Although shippers have been quick to raise their objections against the carriers’ recent attempts to impose ‘emergency’ bunker surcharges, a reaction toward steadily increasing fuel prices, few have acknowledged the significant savings on freight rates they have enjoyed over the years,” Alphaliner said.

Fuel costs, which accounted for only about 8% of carriers’ operating costs in 1998, now make up 15% of total operating costs, Alphaliner said.

“For context, this number had reached a high of about 26% in 2011, when bunker cost were unusually high for an extended period,” it said. “Since then, carriers have been able to mitigate part of the increases through cost-saving initiatives, including the use of larger ships, slow steaming, and headcount reductions, as well as synergies from consolidation and from the formation of alliances.”

Most savings from operational and organisational efficiencies in the past two decades have mostly been passed on to shippers in the form of lower freight rates, both in nominal and in real terms.

In the past two weeks, however, carriers have announced a series of emergency bunker surcharges to cover the rise in bunker prices, although export shipments from China have been excluded from this extra charge.

But some carriers have announced separate rate increases, applicable to exports from China in order to overcome Chinese regulatory hurdles on the application of new surcharges, Alphaliner said. Hapag-Lloyd, for example, has announced a separate peak season surcharge applicable to China.

“This has a similar quantum as the bunker surcharges that have been announced,” Alphaliner said. “Zim is implementing the charge for Chinese exports as a bunker adjustment factor instead of an emergency bunker surcharge.”

Last week, shipper groups called on carriers to be more be more transparent with their fuel price surcharges and accused them of using bunker adjustment factors as an attempt to boost freight rates.