

Operators should exploit cost savings in box maintenance and repair



Lars Fischer,
Softship Data Processing

The never-ending search for efficiency and economy of scale is well established throughout our sector, but there are still some areas that have been largely unexploited. Tapping into these opportunities can deliver additional savings for carriers, and in a climate of squeezed margins and aggressive cost containment, any savings are welcome.

Vessels themselves and their associated operating costs are obvious targets but container stock and the cost of maintenance and repair also offer savings, which are sometimes surprising.

The average container ship operator will usually hold between two and three times the number of boxes than the onboard slots they have available. Most commentators place a value of around US\$1 per box per day to cover all leasing, depreciation, storage, repair and re-positioning costs. This means that, for example, a 10,000 teu slot operator holding around 30,000 boxes in total would be carrying costs of US\$30,000 a day or nearly US\$11 million a year, according to the industry average. This is a substantial amount. And, of course, as the operator begins to grow its fleet, so this cost rises.

So, how can the operator rein in this expenditure? One way is to take a long hard look at the maintenance and repair (M&R) process associated with the box stock. Although it depends on the trade, it is generally true that around 5 per cent of stock is sitting in the M&R cycle. Using the example above, that equates to 1,500 boxes. If the M&R process could be made more efficient so that, say, half the number of boxes are tied up in repairs, the same business could be carried out with 750 fewer boxes. At on-costs of US\$1 per box per day, that would amount to an annual saving of over US\$0.25 million. These sums add up very quickly. With 50,000 slots US\$1.3 million could be saved, and the savings for a 100,000 slot operation is approaching US\$3 million annually.

Many M&R processes involve the transmission, receipt, verification and reconciliation of many pieces of information. The answer is to implement an intelligent software system to manage the process, introduce efficiency, and control and

reduce administrative errors. Repair expenses can be automatically validated against previously accepted tariffs and these can be further compared with past repair data to highlight inconsistencies or to check that a double repair is not being authorised. Software will also control the invoice process to validate what has been agreed before authorising invoices for payment.

A good software solution will provide a platform to connect all the relevant parties and allow a rapid and efficient exchange of information. It will facilitate and guide the repair depot to gather and provide accurate descriptions of the damage together with supporting material and validated repair estimates. This information is then packaged and delivered to the repair manager in an easily digestible format. The software application will also assist the repair manager with intelligent decision making. It will provide data to allow a cost-based judgement on whether to go ahead with the repair, re-position a box to another location, lease an additional asset from elsewhere, or charge the costs to the party that caused the damage. Should the repair option be taken, the software will automatically authorise the work and inform all parties accordingly.

Once the repair is complete, the software will recognise that the container has been returned to stock and indicate that it is available to be deployed. In essence, the software package handles the main administrative overhead, leaving the repair manager with all the information needed to authorise or decline the repair.

In an era of readily accessible IT platforms and software solutions, coupled with open data exchange protocols and the reach of the worldwide web, it makes sense to harness this power to streamline container operations and improve the bottom line. *cst*

Lars Fischer is managing director of Softship Data Processing, Singapore, a wholly-owned subsidiary of Softship, the leading provider of software solutions to the international liner shipping sector