



NON-OPERATING REEFER CONTAINER PROGRAMS FOR US IMPORTERS

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- Opportunities for savings
- Space versus rate
- Understanding total cost
- Correct measurement

In most trade lanes, countries that import refrigerated cargo, like meats and fruits, often don't export the same amount of refrigerated cargo. This leaves the ocean carriers in a conundrum - how to get the refrigerated containers (reefers) back to where they are needed. The cost of repositioning empty containers is a significant cost without any offsetting revenues.

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So, are NOR containers worth the savings? Let's cover some basics first:

What are Non-Operating Reefers (NOR)?

"Reefer" is a shortened term for "refrigerated container," which is an intermodal container equipped to maintain its cargo at a constant, specific low temperature. So, non-operating reefers are reefer containers utilized as ordinary dry containers in order to load ordinary goods without having to run its refrigeration.

Why NOR?

China is a net importer of reefer cargo from the Americas, leaving thousands of reefers that need to find their way back. There is already an imbalance in trade with China, meaning carriers certainly do not want to load their ships with empty reefer containers rather than full revenue-generating containers.

As trade wars and global supply and consumption shift, or even as disease or natural disasters occur, reefers may need to be repositioned to areas outside the traditional seasonal trade flows.

A Solution?

The non-operating reefer (NOR). The carriers sell these containers at a discounted rate, as compared to a standard dry container, to importers already shipping in these lanes. Thus, this repositioning generates revenue.



BEFORE JUMPING INTO NOR IMPORTS, CONSIDER THESE FIVE POINTS

1

Reefers hold less cargo than dry containers. Thick insulated walls, while meant to maintain refrigerated temperatures, reduce the amount of space by -10-15% of a standard container.

2

Most reefer containers are 40' standard, while the most dollar efficient container is a 40' high cube (40H). The spend efficiency of a fully utilized 40H can be 10% more than that of a 40' standard container.

3

Even at break-even pricing, this program may not be worth pursuing. There are additional cost factors in handling NOR:

- Designated pickup areas are outside of normal pickup areas.
- There is more risk if the container is damaged.
- You are paying to load the reefer container, likely at the same rate as loading a dry container. Therefore, freight is not the only cost involved:
 - Drayage of the reefer at origin and destination are also not discounted, and you are only moving 85% as much cargo for the same dray cost.
 - There may be less free time at the origin or destination, as well as charges for holding the NOR may be higher than a standard container.

4

How would you measure this program? As NORs physically hold less cargo than a standard container, you would want to look at NORs as a potential solution if you are currently seeing underutilized containers on a specific lane. **The ultimate metric for the success of the NOR program is the reduction of ocean freight cost per unit.**

5

It will quickly become evident that container utilization has decreased. The first thing that will pop up on the monthly logistics metrics is that container utilization just decreased. Make sure this is an expectation at the start and that you have metrics to account for it. It can also look like it is affecting the landed cost per unit if all freight spend is averaged out in accounting.



ARE THE ADDITIONAL COSTS AND HEADACHES WORTH THE SAVINGS?

If the rate is right

YES

If the availability of
the containers is steady

YES

If you go through all the steps to
implement and only get
a few NORs per month

MAYBE NOT

There are importers who implement NOR programs at the right rates to make it worthwhile and see enough containers through their import network to positively impact spend efficiency. It just requires understanding the mechanics of a NOR program and working with a partner who understands them well.