DEVELOPMENTS IN CONTAINER SHIPPING PRIOR TO AND AFTER RECESSION

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The second half of 2008 witnessed recessionary trends and it shook all sectors of the world economy including the shipping sector. The freight rates of dry bulk, liquid bulk, general and containerized shipping saw rock bottom levels. Although the first half of 2009 was also in the grip of recession, emerging markets like China and India did not suffer much due to global recession. The strong banking system in India and the sound fundamentals of the Indian economy helped India tide over the recession in a reasonably satisfactory manner. A turn round in the world recession was seen towards the end of 2009 and the shipping and logistics sectors globally started looking up from 2010.

The first sign of a favourable turn in container shipping was the financial results of the world's largest container shipping line namely "Maersk Line" for the year 2009. As against a loss of US$ 130 million for the year 2008, 2009 produced a small profit of US$ 19 million. Mr Gerry Wang, CEO of Seaspan Corporation, one of the significant players of the new ship acquisition programme in his presentation in the global liner shipping conference held in London in September 2010 said that he could see a strong recovery for container shipping in the year 2010. World shipyards which saw few orders in 2009 have now started receiving orders for building new container ships. At the peak of early 2008 the price of a container vessel of 13,000 TEU would have cost US$ 160-180 million depending on exact design and engine specification. The London based non-operating container ship owner Zodiac Maritime – a majority holder of Israel's Zim Line has ordered 10 container vessels of 13,000 TEU on the Korean Ship Builder STX Offshore and Ship Building. The price for each unit appears to be substantially lower at US$ 125 million per ship. Taiwan based Ever Green container shipping line appears to be the smartest among the shipping lines. It remained aloof from ordering ships when the building prices were high prior to 2008. When the prices tumbled they ordered 20 ships at a cost of US$ 103 million for each 8,000 TEU container vessel. It is learnt that they are planning to place order for 10 more ships of the same size. In fact, Clarkson Research Services had forecast a price of US$ 86.5 million for an 8,100 TEU vessel at the end of 2010. But the superior design of the vessel which is environmentally sophisticated explains the reasons why they are priced higher than what was forecast by the Clarkson.

Drewry Shipping Consultants, London in their recent report "Annual Container Market Review and Forecast – 2010-2011" predicts a 7% annual container cargo growth for the next five years. In September 2010 the order book of container vessels stood at 601 ships with a slot capacity of 3.79 million TEUs equivalent to just over 27% of the existing fleet in operation. 63% of the new capacity ordered on World Shipyards is for delivery in the year 2011-2012. Another interesting feature of t the new building capacity is that in September 2009 the then orders for new building constituted 42% of the existing capacity. And in September 2008 it was almost 50% of the then existing capacity. Yet another feature of the new building orders is that 66% of the new orders are for ships of 8,000 TEUs and above. The number of container ships in operation as on November 2010 was 4,883 ships aggregating 14.12 million TEUs. This was up about 9.9% on the situation twelve months ago with growth much stronger than that registered in 2009 (up 6.6% over 2008). By the end of March 2011 the global container fleet is likely to have about 5,000 container ships with an aggregate slot capacity of about 15 million TEUs.

The latest report suggests that the world's largest container line namely Maersk Line has signed a contract for 10 of the world's largest, most efficient container vessels with an option to buy another 20. The vessels will have a capacity of 18,000 TEU each and will be delivered from Korea's DSME Shipyard from 2013 to 2015. These new giant container ships will be known as "Triple - E" based on the 3 main purposes for their creation:

- Economy of Scale
- Energy efficiency
- Environmentally improved

At 400 metres long, 59 metres wide and 73 metres tall the Triple-E will be the largest vessel of any type known to container shipping operations. Its 18,000 TEU capacity unit is 16% larger than the largest container ship in operation in the world namely "Emma Maersk" (14,770 TEU capacity) at a cost of US$ 190 million per vessel. The total contract value comes to US$ 5.7 billion should the option for a further 20 be exercised. Maersk Line is buying the ships to position themselves to profit from the 5-8% growth in trade from Asia to Europe and to maintain its leading market share in the trade.

The new vessels will not only set a new bench mark for size but will also ensure that Maersk Line reaches its goals at the lowest possible costs, while producing the lowest possible amount of CO_2 emitions – an astonishing 50% less of CO_2 per container moved, than the industry average on the Asia-Europe trade.

About the Author

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