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By Anne Hunter

Anne Hunter is the New Zealand correspondent for IHS Fairplay, a weekly international shipping magazine and daily online news service. She specialises in writing articles on the maritime industry and trade.
anne.hunter@xtra.co.nz

International container shipping in 2015 has been squeezed between a rock and a hard place, where competitive pressure has forced rates and volumes down while many lines also faced the major challenge of filling their big new vessels. Among the trade lanes most hard hit is the Europe/Asia trade into which much New Zealand freight volume feeds.

Spot freight rates across most key trades fell to historical lows in 2015 particularly on the Asia to Europe, Asia to East Coast South America and Asia to Middle East trades. Furthermore, after suffering their worst losses on record in 2015, container shipping lines – according to maritime analyst Drewry – are set for another three years of financial pain brought about by 'slowing global trade and a bloated order book of large vessel capacity'. Between 1988 and 2013 the largest containership size quadrupled from 4,500 TEU to 18,000 TEU. In 2015, 53 ships of 13,300-19,000 TEU were delivered.

Eighty-two percent of the containerships currently on order have a 7,500+TEU capacity.

Despite shipping line efforts to introduce rate increases throughout the year, they have generally failed. To an extent the reduction and continual low bunker prices through the year has been a welcome relief – "the only silver lining" as Maersk called them, but, as Drewry director container shipping research, Neil Dekker, warns: "The shipping lines cannot continue to rely on this unexpected gift to maintain profitability."

During October/November 2015, rates on the Far East/NZ trade sunk to an all-time low on the Shanghai Containerised Freight Index (SCFI) with Dynamar BV noting rates of: Far East/Med US$195 per TEU in mid-October, down from US$244 a week before. "In context the year to date average on the trade was US$774, which in itself is very low," noted shipping consultancy Dynamar. The Far East/Northern Europe rate was equally depressed.

Since then various carriers have announced rate increases on the Far East/Europe/Mediterranean of between US$750 per TEU to USD$1,200. In November, both CMA and Hapag-Lloyd announced GRIs on Asia/Northern Europe of US$950 and US$650 respectively. How successful they are remains to be seen.

In November, with third quarter revenue plunging by over US$1 billion and profit down by 61 percent over the same period 2014, Maersk blamed deteriorating freight rates for the dramatic turnaround to a less than satisfactory result. "Rates determine our profitability much more than volume," said Maersk Line Group CEO Nils Andersen at the time.

He explained that Maersk was in the middle of contract rate negotiations with its Asia/Europe customers. He told *The Loadstar*: "We will have to see where it goes; we will know when we see how many contracts we close and at what level; and that goes for both the European and US trades which generally close around May." In this environment it will be interesting to see just how many shippers are prepared to commit to a contract rate. In recent times major shippers have made no secret of their frustration with the increasing volatility of the eastbound Far East to Europe freight rates. Many see no reason to agree to a contract rate in an environment where non-contract rates have consistently been driven so low. They will need other enticements to sign up.

From the shipper viewpoint of course, lower rates are good news. However, there is always some truth in old adages like the one that goes "you get what you pay for"! And so we see a much increased incidence of capacity reductions and of carriers blanking sailings, sometimes with little notice, all of which contributes to a deterioration in service standards, according to some major international shippers.

The big G6 container shipping group (APL, Hapag-Lloyd, Hyundai, MOL, NYK, OOCL) notified at the beginning of October that it would be omitting one weekly sailing from its five weekly loops, which effectively removes 12,000 TEU of capacity per week until at least the end of 2015. Maersk too has reduced capacity on its Far East/Europe service to cope with overcapacity. In addition to the closure of four east/west services, Maersk has indicated it will also cancel a further 35 voyages before the end of 2015. They are not alone. Many others including CMA-CGM have also announced cancellations.

The shipping lines have ordered bigger container ships to reduce operating costs. A 14,000 TEU ship reportedly

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