6 Sea freight

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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

For cargo owners, shipping has never been so cheap. Buffeted by the vicissitudes of ebbing world trade and a fluctuating global economy, international shipping in 2016 continued to suffer the effects of the record low rates, excess capacity and debt.

A rash of merger and acquisition (M&A) activity and a significant bankruptcy, has left carriers scrambling to reposition themselves.

A top-10 container line, South Korea's Hanjin, went into receivership in late 2016.

Although Hanjin was a brief player on the NZ/Southeast Asia trade, it withdrew last year and therefore the effect of its demise on the New Zealand industry was slight – although doubtless some shippers had cargo held on Hanjin ships.

The repercussions for the international industry are more severe, with Alliances minus a member and thrown into disarray. Hanjin's container (and other) ships flooded an already bloated idle ship market.

Drowning in debt, with more ships than cargo and rates less than cost, global container shipping started 2016 in dire straits. There was little improvement for the first half year when most major carriers plunged into the red including the biggest, Maersk which, after losing a heap, retrenched, slashed 4,000 jobs and reorganised.

But, as one blogger cutely observed "when Maersk catches a cold, everyone else in the business gets pneumonia!" And so it was that most of the major lines announced 2016 losses. By year end things were looking up: rates were rising and apparently sticking, which was encouraging. The lines, too, are reportedly sticking to their guns on rate increases and toughening up on 'no shows' (cargo booked but doesn't show) and double bookings.

Chronic overcapacity continues to plague the industry. Since 2009, this has been driven by the 'arms race', as maritime consultancy Drewry calls it, with vessel sizes increasing at breakneck pace to secure economies of scale, drive down unit costs and improve profitability.

From the average 4,500 TEU container ships that serve New Zealand trades, take a quantum leap to 20,000 TEU. Maersk has 11 of these leviathans on order for delivery in 2017 and 2018 (although not for the New Zealand trades!).

Following the opening of the expanded Panama Canal in 2016, lines were able to put their new larger ships to work. That left them with an excessive number of smaller ships which lead to the 'cascade effect' – those vessels cascading down into other trades. However, there are too many and a number are being sold for scrap.

Late in the year, Alphaliner estimated idle ship capacity at 1.59 million TEU and reported nearly 400 container ships of all sizes, awaiting deployment. BIMCO estimates some 400,000 TEU was scrapped from the overall container tonnage supply in 2016. Some of those ships were less than ten years old. BIMCO interpreted that as positive, commenting that the high scrapping rate is an indication that recommendations to demolish ships and consolidate fleets are being taken seriously by shipping lines and that "the tools to turn the container shipping industry around are being used and are working".

All well and good but, meanwhile, a further 1.7 million TEU of newbuild capacity will 'hit the water' in 2017 on top of the 1.2 million TEU added in 2016.

Fairplay summarises: "With the global containership fleet growing by 8.5 percent against low volume cargo growth of only 1.1 percent in 2015, the carriers have no bargaining power and the market has no incentive to pay more."

In this low rate climate, the pressure on lines to curb costs has never been greater.

One method adopted by many lines today is slow steaming. At Hamburg Sud in Auckland, manager Bruce Hunter says the Line looks for the balance between speed and fuel consumption that still allows schedule integrity. He says Hamburg Sud now averages 16-18 knots, thereby saving 45 tonnes per day per ship on average. He says there is continuous pressure to lower fuel consumption. Towards that end, Hamburg Sud invests heavily in operating efficiency technology and equipment for its fleet.

Locally, the first big news item of the year was Maersk's launch of its AC1 North Asia/NZ/South America