Not smooth sailing yet for world's container shipping

NST 7/12/09

(1)

By Kang Siew Li
siewli@nstp.com.my

THE global container shipping market will remain tough next year and is unlikely to see a return to healthier sustained revenue and volume growth until at least 2011, shipping analysts say.

Many analysts are predicting minimum growth next year at best.

"This year will be the worst-ever year for the market with no growth. Shipping lines have cut capacity, laid up vessels and scrapped older ones earlier, (and) combined services, but are still losing money," Shipping Association of Malaysia chairman Ooi Lean Hin told Business Times.

"In 2010, the market should brace for another tough year, even though there are some signs of recovery in volume, including in the local market," he said.

Ooi cited the increase in throughput of laden containers at Port Klang, the country's largest port, to some 200,000 TEUs (20-foot equivalent units) a month since August this year, compared with some 140,000 TEUs a month at its lowest level amid the global economic crisis. Pre-crisis volume was between 220,000 TEUs and the peak of 230,000 TEUs in July last year.

"Having said that, volume traditionally slows during the period from January to March due to the festive holidays. Normally, volume moves up in the second and third quarters," he added.

However, according to Drewry Shipping Consultants Ltd's most recent projections, the market will have to wait until 2012 before global container port volume exceeds 2008 levels again. It expects Far East and Southeast Asian container traffic to recover faster than that in other regions.

Ooi projects that the global container shipping industry will lose about US$20 billion (RM68 billion) this year, adding that the figure could have been smaller had industry players responded quicker in addressing overcapacity.

"Contrary to the perception of the Federation of

❑ SEE B10, COL. 4

Alphaliner: Remove extra capacity for sustained recovery in freight rates

❑ From B1

Malaysian Manufacturers and the Malaysian National Shippers' Council, we shipping lines do not operate like a cartel.

"If we had (worked as a cartel to set rates), we would not be losing so much money today," he said.

Ooi said freight rates had recovered from their crisis lows, but were still below the pre-crisis levels.

"Rates hit bottom in the last quarter of 2008, but we can see that rates are recovering. For example, rates for containers shipped from Malaysia to Europe today hover at about US$1,500 to US$1,600 (RM5,070 to RM5,408) per TEU, compared with US$250 (RM845) when they fell to their lowest."

Ooi expects the rates to be restored to profitable levels once the imbalance between vessel supply and demand is arrested.

"But until that is achieved, we are not going to see a lot of improvement in shipping companies' bottom line," he said.

Ooi expects the rates to be restored to profitable levels once the imbalance between vessel supply and demand is arrested.

According to a report by research firm Alphaliner, third quarter financial results just published by the main shipping lines suggest that carriers need to remove additional capacity from the market before any sustained recovery in freight rates can be achieved.

"Freight rate increases achieved in the market since July helped little to improve the carriers' bottom line," it said.

Alphaliner said that this year will likely see more than 350,000 TEUs capacity scrapped in total, about 3.5 times more than the 2008 record of 103,000 TEUs.

"Despite these moves, carriers will need to do more to overcome the supply-demand imbalance. Delivery referrals have only served to delay the eventual injection of surplus capacity at a time when the industry does not require the ships.

Further order cancellations will be needed," it added.

NST - 7 DEC 09