SUNDAY SPOTLIGHT 24 JULY 2011

SEAINTEL MARITIME ANALYSIS

FEELING THE PAIN

The number of services being pulled is increasing – but we are likely only seeing the beginning

Spot rates on Asia to North Europe trade have not increased one single week during 2011, and the conditions are only slightly better on the Pacific trades and the trade from Asia to the Mediterranean.

The poor conditions are now beginning to manifest itself in carrier actions. Since the beginning of June we have seen several stings pulled from both the Asia – Europe trade and the Transpacific trade. Finally, the South Korean carrier Yanghai Shipping went out of business during June as a consequence of the poor market conditions in the intra-Asia trade. However, Yanghai Shipping was only the second carrier to go out of business as The Containership Company went out of business in April this year.

capacity has been withdrawn from these trades?

This article will try to give an overview of recent developments and what may come ahead.

Pulled strings and casualties

In April this year The Containership Company (TCC) became the first casualty of the combination of lackluster demand, significant capacity injections and rapidly falling freight rates. TCC ceased its transpacific liner shipping activities after less than a year. About a month later the first suspension of services began and has continued since.

On May 27th PIL and Wan Hai were the first to announce that they would withdraw their independent service between Asia and Northern Europe, which had deployed a fleet of nine 4,250 TEU vessels. The

THE COST OF LOW RATES

As rates continue to fall, shippers seemingly can rejoice in the fact that they will likely save money on their transportation bill – both compared to last year's spend as well as, conceivably, compared to their budgets for 2011. However the true cost to the shippers of the low rates is now beginning to manifest itself. Services are being pulled or re-organized. This has the consequence of upsetting otherwise carefully planned supply-chains, resulting in increased costs of redesigning the supply chain. Also, the increased number of slot-charter agreements substituting "real" physical services is reducing the number of different services available. And at the end of the day reduced choice will