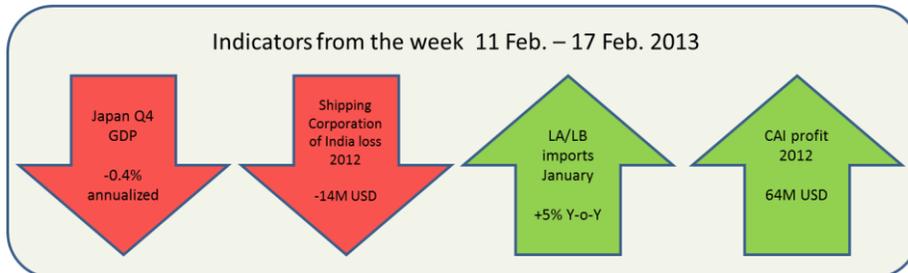


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SEAINTEL MARITIME ANALYSIS



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A GAME CHANGER IN ASIA - S.AMERICA?

Are 13,000+ TEU vessels heading for the Asia-SAM trade?

With the current weak market conditions on the Asia-Europe trade and the latest GDP-figures from Germany, Italy and France all showing negative growth rates for fourth quarter in 2012, container carriers are looking for alternative deployment opportunities for their underutilized super post-panamax vessels. We therefore decided to analyse whether an alternative trade deployment might be feasible.

We decided to focus on the trades from Asia to West Coast of South America (WCSA) and East Coast of South America (ECSA), and we did this for two reasons. The first is that the Asia - South America trades have been proclaimed as some of the important emerging trades, as the Asian and South American countries are rapidly expanding their bilateral trade in physical goods.

The second reason is that the Asia – South American trades requires the carriers to transport the cargo over significant distances. The Asia-ECSA trade is actually around 400 nautical miles longer than the Asia-Europe trade. Sailing distance is an important parameter in terms of obtaining scale advantages for super-post-panamax vessels, as a short sailing distance will result in a disproportionate amount of time being spent in port versus at sea.

Hence, the hypothesis to be explored focuses on diverting underutilized super-post-panamax tonnage from the Asia-Europe trade to the Asia-

The great game

We are now in the depth of the seasonal demand downturn associated with Chinese New Year, and all eyes are on the showdown planned in mid-March. At that point in time all major carriers will attempt to repeat last year's success of a rate increase on the order of 600-775 USD/TEU on the Asia-Europe trade. It is a high-risk poker game and the stakes are high. If carriers can maintain discipline, they are well on the way to settling 2013 as a year with profits, whereas failure will induce memories of the annus horribilis of 2011.

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