

MONTHLY CONTAINER SHIPPING BAROMETER



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Shipping companies powerless against market turnaround

BAROMETER. The first half was a very morose one for the container shipping companies and the big NVOCCs. They were obliged to look on powerlessly as their operating results continued to be dragged down by plunging revenues, cargo volumes and profit margins.

Main developments

- *Cargo volumes at 2019 levels*

Cargo volumes fell back from their post-Covid peak to close to 2019 levels. At the same time, transport capacity and operating costs increased, as **freight rates per container for goods brought from China to northern Europe oscillated dangerously under the four-figure mark.** The Asia-Mediterranean market held up a little better but how long will this last? The shipping companies are placing their ships in this trade to try to benefit from the slightly more profitable rates, but this will automatically upset the existing balance between supply and demand.

- *Restructurings on the cards*

In short, the companies' hearts are not in it and **the restructurings expected at the start of the year are starting to take place.** Personnel cuts, early retirement and other emergency measures are back on the agenda, promising difficult times to come for shipping company employees.

- *Block exemption controversy loses steam*

In 2020, just as the Covid-19 pandemic was getting under way, the European Commission decided to extend the liner shipping block exemption for four years, allowing the shipping companies to escape the constraints of European Union competition law regarding the formation and activities of consortia. At the time, this decision met with an angry reaction from shipping companies' clients.

In current conditions, however, [the debate on the need to reform this system](#), the extension period for which is due to expire on 25 April 2024, has lost a great deal of its substance. Maersk and MSC are well advanced with their plans to end their 2M alliance, which indicates to the market that the future "divorcees" have no intention, in the normal course, of reversing the process. And shippers generally need the level of service which the two remaining alliances can offer. It looks a good bet, therefore, that they will put Brussels under much less pressure in this area.

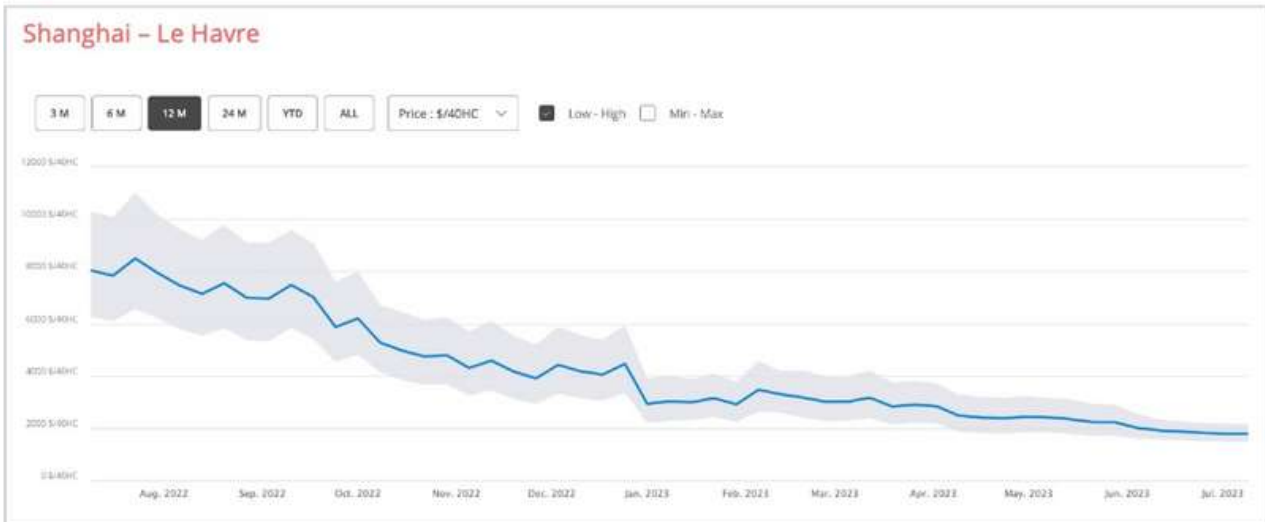
The shippers have understood that calling for the revocation of the alliance system in the current state of the shipping market will result in alliance members being no longer able to offer global carrier services... leading to a new phase of consolidation which will not necessarily leave them with a wider choice.

- *A whiff of revenge*

The business climate is tense at the moment. Direct shippers (beneficial cargo owners - BCOs) and forwarders know very well that **buying over a long period from a supplier at below operating cost will result in major consequences** in the form of a reduced choice of suppliers, a return to higher prices or both. Yet the old reflex to go for the best price is still very much present today among buyers of space. It is probably regrettable, but we are seeing, no doubt, a wish on the cargo side to take revenge for the two dark pandemic years, when shippers were quite badly treated by the shipping companies.

1. PRICES

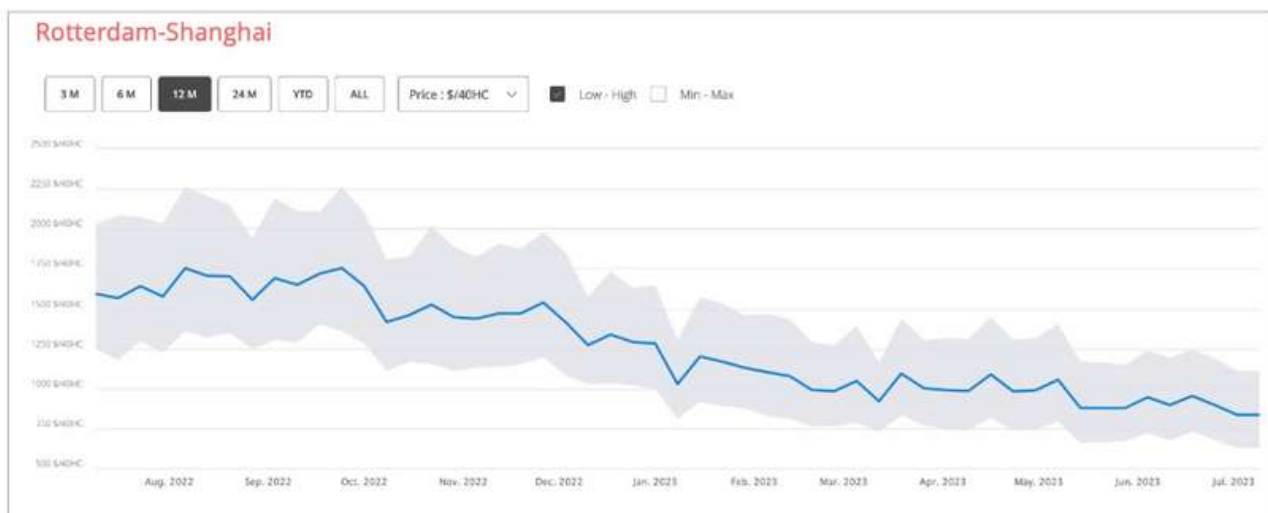
- **Asia - Europe**



Port-to-port rates (spot and contract) billed for sailings from Shanghai to Le Havre, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods.

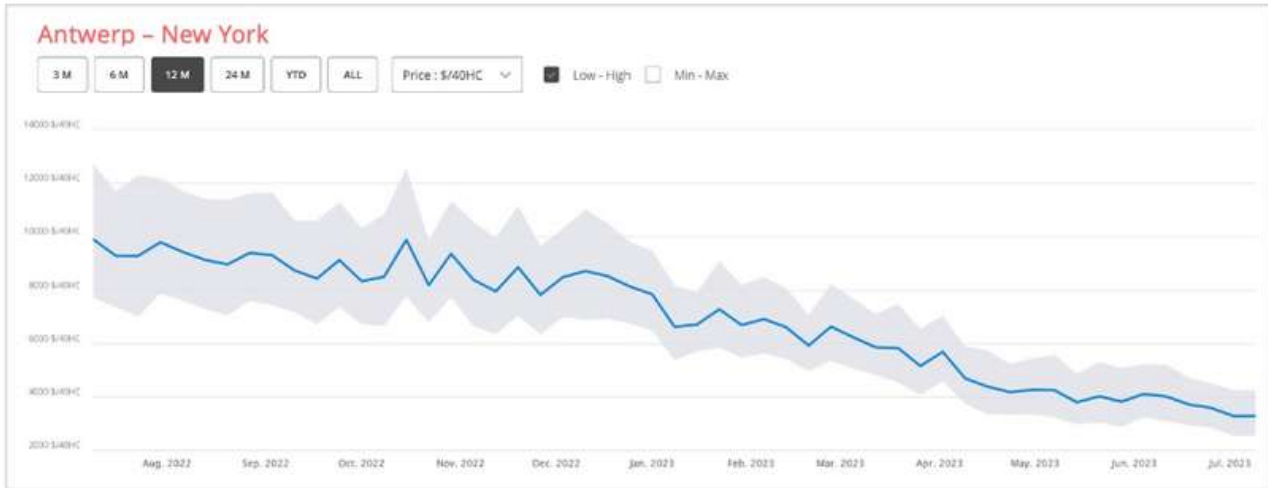
Source : [Upply](#).

- **Europe - Asia**



Port-to-port rates (spot and contract) billed for sailings from Rotterdam to Shanghai, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. Source : [Upply](#).

- Europe - USA



Port-to-port rates (spot and contract) billed for sailings from Antwerp to New-York, THC included, for a 40' HC DRY container carrying dry, non-dangerous goods. Source : [Upply](#).

The reduction in rates can be seen in virtually all trades and bastions of resistance are few and far between. Even French overseas territories, which succeeded in maintaining very reasonable freight rates during the Covid crisis, are today being buffeted.

GRIs (General Rate Increases) are not working and are having to be cancelled before they come into force. Additional costs, like detention and demurrage charges, are being studied carefully by the Federal Maritime Commission in the United States, which is ready to hand out big fines to offending shipping companies. In Europe, the cargo side is much less ready than it was during the pandemic to accept the shipping companies' sometimes unjustified demands regarding port charges. In the inland transport sector, the carrier haulage side of the market is declining [in favour of merchant haulage](#), depriving the shipping companies of a resource they could very much do with at the moment.

2. SERVICES

After having experienced unprecedented disruption, **shipping services on east-west routes have returned to pre-pandemic quality levels**. Sea Intelligence believes that the shipping companies are continuing to return to normality in this respect. It goes further even, considering that there will always be disruption in the regular line shipping market. "... No-one should expect zero blank sailings, as a normal state of affairs," it said. In other words, it believes that **port call cancellations are part of the regular line shipping system** and that, in the real business world, shippers should, therefore, accept a certain percentage of cancellations and delays.

Certainly, the situation is not ideal, but **cancellations of port calls are now at their lowest level since the pandemic**. On services from Asia to northern Europe and the Mediterranean, the level of blank sailings stands at 3% and 5%. [In its latest report](#), Sea Intelligence estimates that blank sailings in the transpacific trades currently stand at 12%.

This relatively high figure, even if it is lower than those for previous months, may well be the result of **the industrial action which affected ports on the west coast of the United States in June**. The ILWU, the main North American dockers' union, negotiated an agreement with the Pacific Maritime Association but it will take a number of months to get it ratified by local ILWU branches. Strike action began, moreover, in Canadian ports on 1 July, which could aggravate the blank sailings problem.

Sea Intelligence's conclusion will astonish some. "... shippers operating in the market now should take the current state of affairs as being very normal indeed. This is as good as it gets". Shippers might respond by tagging the wall of the regular line shipping companies with the words "MacLean, wake up. Your successors have gone mad."

- *Transatlantic*

On the market between Europe and the United States, a new shipping company entered the fray on 1 June. **Dutch group Spliethoff** began a con-ro service from the Belgian port of Antwerp-Bruges and the English port of Bristol to the US ports of Baltimore, Gloucester and Morehead City. The service is operated by ships from Spliethoff subsidiary Transfennica. They have capacity for 3,000 metres of ro-ro cargo and 640 TEU. The company said it would offer a transit time of 14 days between Europe and the US. Container shipping companies operating between Antwerp-Bruges and Baltimore offer a transit time of 14-16 days.

- *Europe - Asia*

Faced with the fall in freight rates between Europe and Asia and a lack of ro-ro capacity on the route, **the Renault group has opted to innovate**. Its new Arkana SUVs are now loaded into containers in Busan, South Korea. Initial tests showed that three SUVs could be loaded into each 40' container. The group has announced plans to transport 400-500 such containers monthly from Busan to Le Havre. If the experiment is successful, it could be extended to take the group's SUVs to Australia, Belgium, Italy, Mexico and the United States.

- *Asia - Mediterranean*

Hyundai Merchant Marine, a member of The Alliance (HMM, Hapag Lloyd, ONE, Yang Ming) has decided to start a new FIM service linking the Far East, India and the Mediterranean. It will use ships with an average capacity of 10,000 TEU and will call at Busan, Kwangyang, Shanghai, Ningbo, Shenzhen, Singapore, Port Klang, Nhava Sheva, Mundra, Karachi, Jeddah, Damietta, Piraeus, Genoa, Valencia and Barcelona, returning to Busan via Piraeus, Damietta, Jeddah, Karachi, Mundra, Nhava Sheva, Kattupalli, Singapore and Shenzhen. According to the latest news from the company, it is not certain that the service will be included in the The Alliance network. Dutch consultancy Dynamar, said that the double call in Damietta, which is to serve in future as Hapag Lloyd's hub in Egypt, could tilt the balance towards its inclusion. Given that the new service will call at the same Chinese and Indian ports as the China-India Express (CIX), this latter service will be dropped by HMM.

MSC, meanwhile, has announced plans to change its service between India and the Mediterranean. The main change will be the inclusion of Karachi. The service will call in the Pakistani port after Dubai and Abu Dhabi and before Nhava Sheva, Mundra, Djibouti, King Abdullah, Gioia Tauro, Valencia, Barcelona, Genoa, Livorno and Salerno, returning to Abu Dhabi via Gioia Tauro, Marsaxlokk, King Abdullah and Jeddah.

- *Transpacific*

Following its announcement of two new services outside the 2M alliance, **MSC** has given details of the itineraries to be followed by the Chinook and Santana services. The Chinook service will make an additional call in Portland. The service will take in Shenzhen, Shanghai, Qingdao, Busan, Vancouver, Seattle and Portland, before returning to Shenzhen. The Santana service will call in Hai Phong, Shanghai, Ningbo, Busan, Manzanillo, Colon Caucedo, Port Everglades, Baltimore, Lazaro Cardenas before returning to Hai Phong.

The fall in freight rates in the transpacific trades has encouraged opportunistic operators to withdraw. CU Lines and Pasha Hawaii have thrown in the towel. Pasha Hawaii, which operated mainly for the Costco retail group, offered a link between Vietnam, China, US west coast ports and Vancouver. CU Lines provided a service between China and ports in California.

The Maersk group has announced that it is slowing down its vessels on several services between Asia and North America. The Danish group says it wants to optimise service speeds. The services concerned are the TPX, which it operates alone, and the TP6 and TP8, which it operates as part of the 2M alliance with MSC. Maersk indicated that these slower speeds could add two days to round trips.

3. OPERATIONS

Now that a [costly wage agreement](#) has been reached with personnel at US west coast ports, under which American dockers are officially recognised as front line workers, their colleagues in neighbouring British Columbian ports have announced that they plan to take industrial action in their turn.

In Europe, the situation is different. The fall in cargo volume is causing real anxiety on the quaysides. If there is too little demand, will the ships continue to come? How often? Is there a real risk of "feederisation" if port hinterlands are unable to fill the mother-ships? These key questions are on the agenda. We can see that MSC has gone on the offensive in the hinterland of the port of Le Havre, using its particularly dense sales network to capture the maximum number of containers to enable it to fill its ships first.

Those who protested vociferously a few months ago that there was no competition between the shipping companies, are going to have to revise their ideas. Classical market forces made freight rates soar two years ago and it is those same forces which have made them plummet again today.



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The "Services" section of this barometer is produced in collaboration with Hervé Deiss, who is a journalist specialized in maritime transport and port issues.

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