Recent developments in container shipping and their impacts on ports

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Key messages

• Despite volume drops, liner shipping enjoyed spikes in freight rates and made record profits
• This paradox was manufactured via joint withdrawal of ship capacity via blanked sailings.
• This has cascaded to ports, creating challenges related to connectivity, peaks and reliability
• It also raises concerns related to competition
Recent ITF work on container shipping

COVID-19 TRANSPORT BRIEF
Global Container Shipping and the Coronavirus Crisis
29 April 2020

As a result of Covid-19, container trade volumes and container port volumes have declined over the first months of 2020. Container freight rates have remained fairly stable because carriers have idle capacity, yet the high debt level of container carriers creates insolvency risks. Any bailouts for the sector should address offloading of risks to the public.

Global container trade volumes declined by 8.6% in February 2020 compared to the same month of 2019. Official figures for March 2020 have not been released, but in view of widespread lockdowns the reduction will likely be larger. The decline in container trade was particularly marked in the Far East. In Europe, North America and Oceania it is also significant, while it is not yet noticeable in other emerging economies (Latin America, Sub-Saharan Africa and the Indian Subcontinent and the Middle East). The table below lists the changes in January and February 2020 for different world regions. The recent development of container trade volumes is depicted in Figure 1 at the end of this brief.

Table 1. Changes in container trade volume by world region, 2020

<table>
<thead>
<tr>
<th>Region</th>
<th>Change Jan-Feb 2020 (%)</th>
<th>Change Feb-Mar 2020 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Far East</td>
<td>-8.1</td>
<td>9.4</td>
</tr>
<tr>
<td>Europe</td>
<td>-9.7</td>
<td>-4.6</td>
</tr>
<tr>
<td>North America</td>
<td>-3.3</td>
<td>-7.6</td>
</tr>
<tr>
<td>Australia and Oceania</td>
<td>4.3</td>
<td>2.8</td>
</tr>
<tr>
<td>Indian Subcontinent and M. East</td>
<td>3.7</td>
<td>6.1</td>
</tr>
<tr>
<td>South and Central America</td>
<td>2.4</td>
<td>2.5</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>1.4</td>
<td>7.4</td>
</tr>
</tbody>
</table>

Source: International Transport Forum, EU

The main response of carriers to falling demand has been to reduce supply. Ship operators have massively started to idle vessels by canceling services. These blank sailings have increased significantly compared to previous years, with 188 in February/March 2020, of which 95 were on the Asia-North America West Coast trade lane and 49 on the Asia-North Europe trade lane (Figures 2, 3).
Global container shipping volumes (monthly)

Source: CTS, ITF
Container shipping volume growth (YoY)
Container shipping volumes per world region

- January 2020
- February 2020
- March 2020
- April 2020
- May 2020
- June 2020
- July 2020
- August 2020

Source: CTS, ITF
Development of global ocean freight rates

Source: Drewry, Shanghai Shipping Exchange, ITF
Profit margins of container lines

Source: Alphaliner, ITF
The magic of “market discipline” (1)

Idle ship capacity in TEUs

Source: Alphaliner, ITF
The magic of “market discipline” (2)

Joint withdrawal of ship capacity: blank sailings: cancelled services

Source: Sea Intelligence, ITF
Effects on ports: connectivity

Asia-Europe port calls cancelled in 2020-Q2:

North Europe

- Felixstowe
- Zeebrugge
- Antwerp
- Le Havre
- Rotterdam
- Hamburg
- London Gateway
- Southampton
- Sines
- Dunkirk
- Bremerhaven

Mediterranean

- La Spezia
- Genoa
- Marseille
- Malta
- Barcelona
- Valencia
- Piraeus
- Trieste
- Koper
- Rijeka
- Constanza
- Algeciras

Source: Sea Intelligence, ITF
Effects on ports: peaks and troughs

Fig. C3: 2020 average vessel size (Asia-NEUR)

Fig. C4: 2020 average vessel size (Asia-MED)

Source: Sea Intelligence, ITF
Effects on ports: schedule reliability

Source: Sea Intelligence, ITF
Concerns related to competition

Source: ITF
Responses of competition authorities

Carriers summoned by China to curb transpacific mark-ups

A transport ministry notification seen by Lloyd’s List shows that a total of 14 container lines involved in transpacific trade were invited to attend a ‘consultation’ in Shanghai last Friday, aiming to ‘stabilise the international container shipping markets’. Sea-Intelligence expects more regulatory intervention from the US and European Union

13 Sep 2020 | NEWS

US warns box lines against transpacific collusion

Federal Maritime Commission says it has ‘heightened its scrutiny of markets, individual ocean carriers, and the three global carrier alliances in response to the unusual circumstances and challenges created by the pandemic’

21 Sep 2020 | NEWS

Source: Lloyd’s List
Thank you!

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