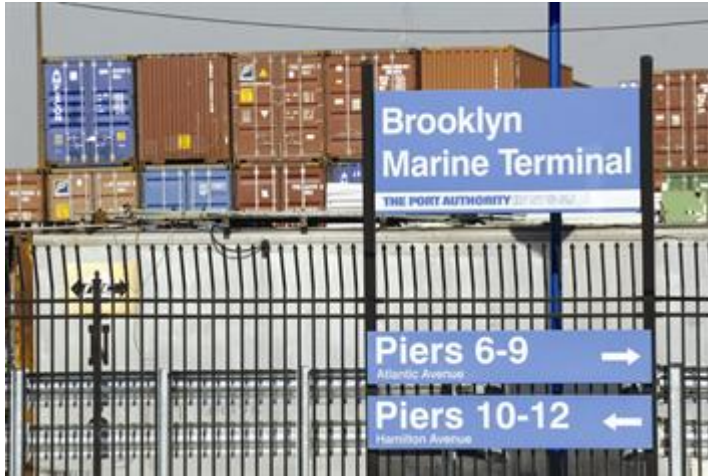


# More than 400,000 TEUs idle as box ship rates fall

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More than 200 container ships will likely be laid up in the new year as charter ship owners and ocean carriers adjust to weakening cargo demand, plunging freight and vessel hire rates, and an influx of new ships onto key liner trade routes.

Some 165 container vessels totalling 430,000 TEUs in capacity were idle just before Christmas, up from 300,000 TEUs two weeks earlier, according to AXS Alphaliner, a Paris-based consulting firm.

*German owners have reactivated a mutual support scheme to provide compensation for jobless ships*

That represents 3.5 per cent of the world fleet in TEUs, equivalent in percentage terms, to the laid-up figure during the lowest point of the 2002 slump, AXS says. The list of unemployed tonnage includes six ships between 7,500 and 10,000 TEUs, and 19 between 5,000 and 7,500 TEUs.

The pace of the market's retreat has taken the industry by surprise. In November, AXS was predicting the idle fleet would reach 400,000 TEUs by the end of January.

It expected that several more ships, especially in the bigger sizes, would be idled by year's end as vessels end their rotations on suspended Asia-Europe services.

The record total in idle tonnage came as the world container fleet broke through the 13 million-TEU mark, to 6,078 ships in mid-December, after growing by one million TEUs since March, said AXS Alphaliner.

The consultancy predicted the world fleet would reach 14 million TEUs in August.

Charter ship owners have taken the biggest hit from the market slump, accounting for 105 of the 165 idled vessels, a figure that was expected to rise sharply as scores of vessels come off hire with little prospect of re-employment.

If it can find work, a 2,750-TEU sub-Panamax ship will bring in \$10,500 (Dh38,535) a day, compared with \$19,500 in September and \$30,000 at the beginning of 2008. Owners do not expect a revival this year as export shipments from China and other Asian nations are slowing, cutting carriers' demand for chartered tonnage and sending rates plummeting.

German owners, who account for the bulk of the world charter fleet, have decided to reactivate a mutual support scheme on January 1 to provide temporary and partial financial compensation for jobless ships.

The system was established during 2002 when owners faced mass lay-ups, but it was never activated as the market suddenly embarked on a boom driven by China's emergence as a trading power.

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