

Boxship owners 'unlikely' to opt for consolidation

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Webber: Medium-size and small ships are here to stay.

Economies of scale do not apply to owners, says GSL's Webber

THE consolidation taking place across the liner industry is unlikely to be replicated among non-operating charter owners, according to Global Ship Lease chief executive Ian Webber.

“When liner operators consolidate they can save money through rationalising their networks, removing sales and administrative roles, and reducing general overheads,” he said.

“It is less clear where owners can make those savings. The only advantage in being bigger is that it gives access to capital through public and private equity markets.”

Mr Webber added that Seaspan, the world's largest non-operating owner, owned only 100 of the 5,000 ships in the global fleet.

Global Ship Lease was spun out of CMA CGM in 2008 and owns a fleet of 18 containerships ranging from 2,262 teu to 8,063 teu.

All but three of these are on charter to CMA CGM, with the remainder chartered to OOCL.

Mr Webber said he would consider other customers should the opportunity arise, but only if they came with long-term charters.

“We are happy with both our customers,” he said.

“We are well aware of benefits of customer diversification so we would be very happy to expand our portfolio as well. But we remain disciplined and never rely on speculative deals. We will not acquire vessels without a charter attached. They are few and far between but there are some out there.”

While the container charter market remains in the doldrums, there are still some reasons to be cheerful, particularly for owners of small and medium-sized vessels, Mr Webber said.

“We live in uncertain times with geopolitical and economic uncertainty, and since 2008 no one has really known which direction the market will go,” Mr Webber said at a seminar hosted by the International Maritime Industries Forum and Norton Rose Fulbright.

“But the days of container shipping growing at three times the rate of global growth are over.”

But despite high numbers of small vessels sitting idle, Mr Webber pointed out that the global order book for boxships was only 15.7% of existing capacity. “That’s about as low as it has been since the late Nineties and shows the orderbook is under control.”

Meanwhile, scrapping is at a record high with over 650,000 teu being scrapped last year, more than twice the level of the previous year, and represents around 3.5% of the container fleet. Moreover, most of the vessels being scrapped were below 7,500 teu.

New orders also dried up in 2016, with only 290,000 teu ordered.

Smaller ships

While the main lane trades from Asia to Europe and North America attracted the most attention, the majority of container trade was not done on these lanes, which was a benefit to owners of smaller tonnage.

Major east-west trades accounted for only 30% of the market, with smaller trades taking the lion’s share. The biggest market is the intra-regional trades, with intra-Asia making up a third of that.

“The smaller trades are have grown the most robustly and look set to continue,” Mr Webber said. “For owners of smaller and medium-sized ships that is good news.”

Mr Webber pointed out that while the focus is often on the largest ships on the market, the average size of vessels on any given trade is often much lower.

“On the intra-Asia trades, which utilise almost a third of the world’s containership fleet, the biggest ship ever deployed is under 6,000 teu and the average size is 1,500 teu,” he said.

“These will not be replaced by larger vessels as the volumes are not enough and the port infrastructure does not exist. Medium-size and small ships are here to stay.”

The consolidation that took place in container shipping during 2016 and the remodelling of the alliance structures that it necessitated would have a short-term impact on charterers, but in the long term would be a benefit.

“Consolidation leads to business efficiency and the new alliances will lead to more efficient use of ships,” Mr Webber said. “Near-term it is to the detriment of the charter market as ships come back to owners. But we believe there will be an improvement and a good future for owners of small and medium-sized tonnage.”

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