

# NATIONAL POST

## **Superships bring new challenges: Port capacity in doubt: Larger container ships seen as cost-cutting step**

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At a Vancouver container terminal, a crane as tall as a four-storey building is being cut up for scrap.

Towering over the crane at the Centerm facility are even larger cranes, needed to handle a new generation of large container ships.

These ships, which went into service this year, promise to revolutionize container trade between Asia and the United States and Europe.

They are more than 300 metres long, more than 40 metres wide and capable of carrying more than 8,000 20-foot-long containers.

The few large ports with the cargo volumes and handling capacity to accommodate such ships look set to gain still more importance over their smaller rivals.

Shipping lines will also have to reorganize their services to reflect the longer times larger vessels will have to spend in port.

But shippers hope that, by spreading the costs of running a vessel over more containers, they can bring down the costs for each container carried.

Drewry, the London-based shipping consultants, estimate that just more than 110 vessels of more than 8,000 20-foot equivalent units (TEUs), a standard volume measure, are on order.

Yet many in the shipping industry doubt the wisdom of introducing the new ships. Even larger ones, with capacities of up to 12,000 TEUs are widely expected to follow within the next few years.

Some executives and analysts question the apparent economies of scale offered by larger vessels. To keep to current schedules, larger ships have to move faster to compensate for the extra time in port. Even with more modern, fuel-efficient engines, this is likely to mean extra spending on fuel.

In addition, the savings depend on vessels being full. This may be easy to achieve this year and next, when container shipping capacity is likely to grow less rapidly than cargo volumes. However, this may no longer be the case in 2006, when most analysts expect ship capacity to increase faster than cargo volumes.

Ron Widdows, chief executive of APL, a shipping line owned by Singapore's Neptune Orient Lines, says his line has resisted ordering the larger vessels because of concerns it will not be able to fill them after 2006.

John Fossey, analyst at Drewry Shipping, argues that the new vessels pose commercial risks because they need such large cargo flows to operate and cannot use the Panama canal.

"With the really big ships, there are really only two trades that can support those vessels in terms of cargo volume," he says. "Those are the transpacific trades and Europe-Far East and Far East-Europe. If there's a downturn in the market, there are really not many other routes that these vessels could be deployed on."

There are also concerns that deliveries from a single large ship could prove far harder to forward than similar amounts of goods delivered by two different ships.

Back in Vancouver, even as port authorities prepare to welcome bigger ships, there are concerns about whether over-stretched rail lines to eastern Canada would be able to handle the large single loads of containers involved.

"We don't want these ships in Vancouver," says Dave Bedwell, executive vice-president of the Canadian subsidiary of China Ocean Shipping, a major container line. "They're too big for us."

Yet most large shipping lines remain convinced that bigger vessels will boost their profitability.

Philip Green, chief executive of P&O Nedlloyd, the world's fourth-largest container line, says the line is using the ships because they will cost less per container carried. It took delivery of its first vessel of more than 8,000 TEU capacity this week.

Some ports also look forward to the new ships.

John Meredith, group managing director of Hong Kong-based Hutchison Port Holdings, the world's largest container terminal operator, says container-handling equipment can be more efficiently deployed on one large vessel at high-capacity ports such as his own.

For many in container shipping, however, the most compelling logic may be an inexorable trend, ever since the first container ship sailed in 1956, toward bigger and more efficient ships. For the moment, it is a trend they hesitate to reverse.