



ASF SERC

ASF Shipping Economics Review Committee

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Shipping Economics Review Committee (SERC)

Report by Chairman, Mr Akimitsu Ashida

This is a report on the major activities of the ASF Shipping Economics Review Committee (SERC) since the last ASF meeting in Boao, China in June 2008.

The 21st Interim Meeting of the ASF SERC was held in Tokyo on 10 December 2008 and the main points of the meeting are summarised as below. (A copy of the Note of Understanding adopted at the Tokyo meeting is attached together with the attendance list.)

World Economy

- The financial crisis triggered by the US sub-prime loan problem has spread globally. However, bearing in mind that the crisis could be a good opportunity to make a comprehensive review of their business models and processes, the delegates were encouraged to calmly consider the underlying implications of the crisis.

Dry Bulk and Tanker Shipping

- Dry Bulk : Anticipating that the financial crisis might bottom out during the second half of 2009, it was noted that the dry bulk market may pick up from 2010 onward. It was anticipated at the Tokyo meeting that the number of new building orders to be cancelled could reach as many as 1,000 vessels because of the global credit crunch. This anticipation is now turning to reality and the large volume of new deliveries previously scheduled for 2010 appears in fact to have decreased. The market slump has also encouraged an active scrapping of obsolete ships.
- Tanker : The demand forecast for 2009 is flat but the longer term future market may be favourably influenced by such factors as the downward pressure for new building activities due to the credit crunch, the phase out of single hull tankers and the shift of oil refineries from consumer countries to oil producing countries especially in the Middle East.

Liner Shipping

- US Trans-Pacific trade : As regards the eastbound trade to the US, the forecasts for 2009 are gloomy but signs of a rebound might be seen in the latter part of the year in the hope that economic stimulus packages by the Obama Administration would be successful in revitalizing the US economy. Concerning the westbound trade to Asia, the cargo volume decreased for 3 consecutive months from October 2008 as a result of overall recession in Asian economy.
- Intra-Asia trade : Although the trade appears to be relatively resilient compared with the Trans Pacific trade, it is vulnerable to cascading effect of container ships and therefore a highly cautious approach to the supply-demand situation in 2009 would be appropriate. While total cargo volume in 2008 increased by more than 10% on a year-on-year basis, the recent statistics shows a significant decline of container movements at the beginning of 2009.
- The shocking effects of the financial TSUNAMI have clearly extended to the Trans Pacific and Intra-Asia trades. The CEOs of Asian container lines were urged to handle the situation in a rational and patient manner to ensure the sustainable operation of the liner business in these trades and to keep customers well-informed of the difficult situation faced by carriers.

Antitrust Immunity for liner shipping

- The delegates reaffirmed the ASF's long-standing position that antitrust immunity is indispensable for the health of the shipping industry.
- As for the EU Draft Regulations on Consortia published in October 2008, the meeting recognised the importance of retaining legal certainty to assure the current consortia system under the EU competition regulation framework for a longer term and agreed to continue to work with concerned parties to develop their better understanding of the benefit and role of the consortia system.

N. B.

As background, the SERC provides a forum for the review and discussion of macroeconomic trade and economic data. The purpose of SERC is to foster an awareness of general economic trends and data pertaining to shipping and to promote an understanding of such data by senior executives. The SERC does not discuss proprietary information or specific competitive issues. However, it is the view of the Committee that an enhanced and more sophisticated appreciation of overall macro economic trends, cargo flows, capacity, etc. will lead to better decision making by shipping executives.