

Just as World Trade Slows, Here Come the Megaships

Ocean Carriers Placed Orders Years Ago as Trade Volumes Soared; Capacity will put Continued Downward Pressure on Rates

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As global trade volumes soared across the world, ocean carriers, often pinched for capacity and seeking to capture a larger share of the market, worked with busy ship builders to design new “mega-ships” that are capable of handling 10,000 or more shipping containers. (See [Giant Cargo Ships Keep Coming.](#))

The first of those ships started coming on line in 2006, at the top of the trade growth curve, with dozens more scheduled for delivery in subsequent years. Estimates, for example, are that some 35 ships capable of handling 12,000 or more containers are planned to set sail in 2009 alone.

Now, however, those moves don't look so smart, with container volumes down substantially, much more than the overall decline in global GDP. The Port Tracker Service offered by the National Retail Federation and the researchers at Global Insight recently estimated container traffic into the US would fall nearly 12% in the first half of 2009.

The MSC Daniela

Delivered to the Mediterranean Shipping Company (MSC) in December, the MSC Daniela is a monster ship capable of handling almost 14,000 containers, or TEUs (twenty-foot equivalent units).

The ship made its maiden voyage in February, sailing – full, MSC says – from Asia to Europe. Built by Samsung Shipbuilding & Heavy industries Co. Ltd of South Korea, it is the largest ship in terms of capacity that has sailed to date.

At 366 meters, the ship is less than the 397 meters

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of the world's longest ship, the Emma Maersk, but is able to hold more cargo, thanks to some innovative design elements, such as separating the engine room and the deckhouse. The latter's position in the forward part of the ship permits an increase in container capacity and a reduction in ballast water.

MSC acknowledges that it was only able to fill the ship on its first voyage through aggressive discounting.

All this is good news for shippers, however. While carriers are undoubtedly reducing or eliminating new orders now, ships that were ordered 2-3 years ago for delivery this year are impossible or nearly impossible to cancel.

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keep ocean shipping rates, which have plummeted, very low for several years, though some carriers may choose to take some capacity out of the market.

The mega-ships would likely be left in the water and smaller ships at least temporarily decommissioned, as the larger the ship the more economy of scale it offers in terms of labor, fuel and other operating costs per container.

