

## New World Alliance to cut Asia-US capacity by 16%

Keith Wallis, Hong Kong - Thursday 18 September 2008



THE New World Alliance liner group will remove at least 16% of its capacity on Asia-US trades, starting from next month.

APL senior vice-president for the transpacific trade Robert Sappio said the move would apply for the winter months and is due to box growth slowing and costs rising.

Speaking at the Transpacific Maritime Asia conference in Shenzhen, southern China today, Mr Sappio said the cuts in capacity would be achieved through a raft of measures.

These include the return of chartered vessels, the redeployment of vessels to intra-Asian trades and adding more vessels other services as part of a slow-steaming regime.

Mr Sappio said consideration is also being given to the early scrapping of some older vessels.

He added that APL has already been forced to cancel plans to launch a fast transpacific containership service between Oakland and Chiwan, one of the Shenzhen ports, after the firm's board of directors failed to approve the new service.

This followed concern about the viability of the string given current bunker costs and worries over volume growth.

Mr Sappio pointed out fuel accounts for about 65%-70% of the total cost of a voyage. At the same time the 14 members of Transpacific Stabilization Agreement have only been able to collect 56% of the total amount of surcharges levied under the fuel adjustment factor.

On inland transport, Mr Sappio said \$680m has been underpaid on inland fuel surcharges in the US in the last 20 months.

Mr Sappio warned that this underpayment by shippers was "not sustainable" and "would have to change in 2009".

He said shippers would have to pay more or ocean and inland services would be cut.

"Carriers have to do a better job of managing their fleets and equipment. Inland fuel costs have to be shared between shippers and carriers."

This comes as slower growth in China coupled with a deteriorating economic situation in the US exacerbated by the latest crisis in the financial markets this week will adversely affect growth in transpacific box volumes.

Mr Sappio said APL's own estimates are for an increase of between 1%-3% in "containerised volumes from Asia to

the US”.

PIERS Global Intelligence maritime director James Drogalis forecast that the US economy will slow after the second quarter “bounce” caused by the federal government’s tax breaks.

Outlining the issues facing the US economy, Mr Drogalis said: “Consumer confidence is near a 16-year low, home sales have fallen and are weak although there are some signs of them stabilising. Looking ahead the US economy will still weaken and house prices will continue to decline.”

All these factors will have a negative effect on demand and container volumes.

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