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Liberalizing Maritime Shipping /
Maintaining Open Shipping Markets
- Joerg Habicht, Dir. Regulatory Affairs



A Little Mixed Views in German Shipping History

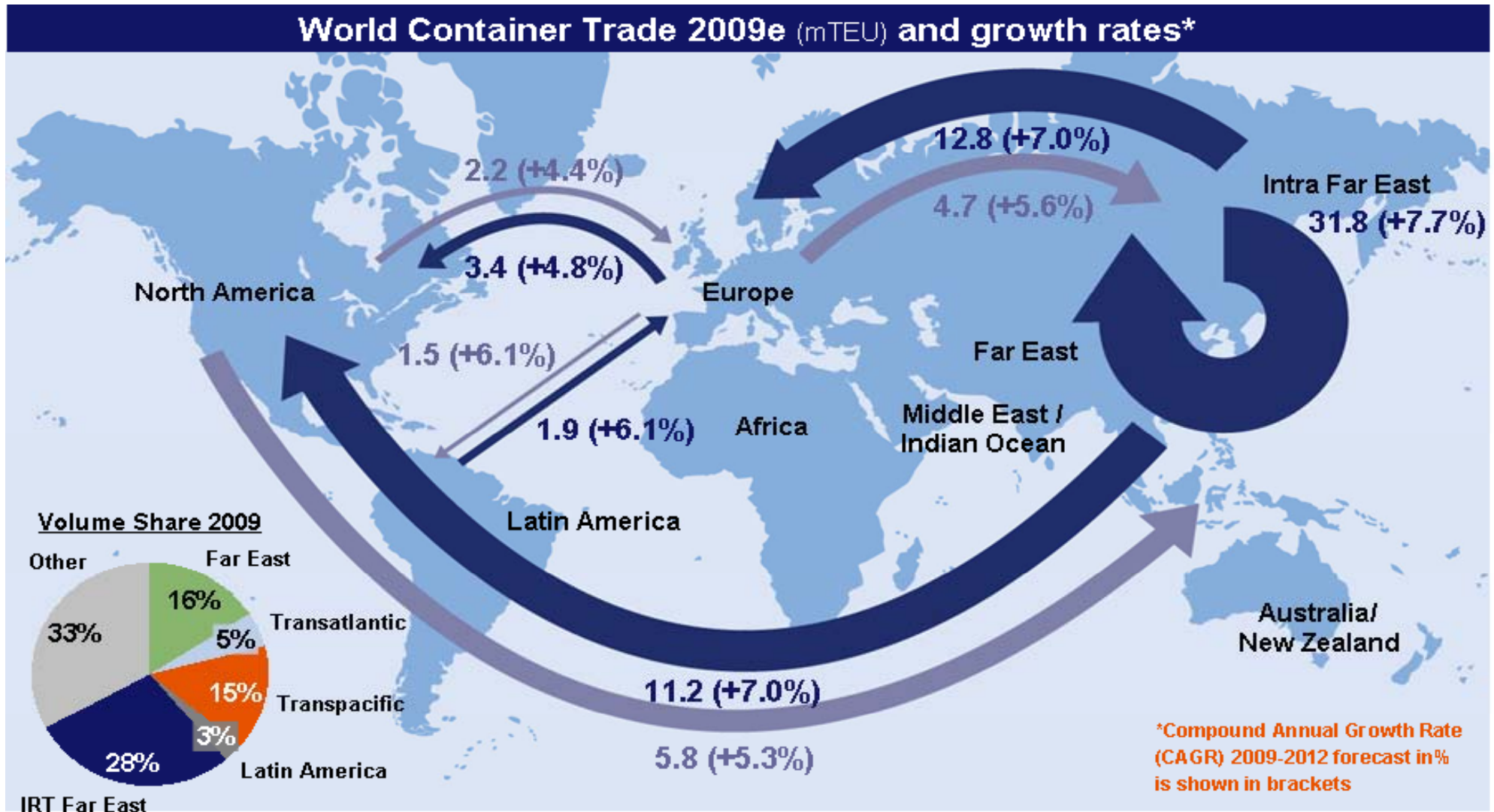
- Almost exactly 130 years ago the than first director of Hapag – Mr. Adolph Godeffroy – warned of protective measures imposed by Governments to „save their national shipping industry“ (Background were considerations in Germany to introduce „differential taxes“ in favour of German flag shipments)
- In the mid 1970-ies the German Shipowners Association asked for urgent political initiatives to encounter unfair competition by the - at that time -increasing penetration of merchants‘ fleets from the COMECON states in the global shipping markets





World Trade - average Growth in TEU Volume

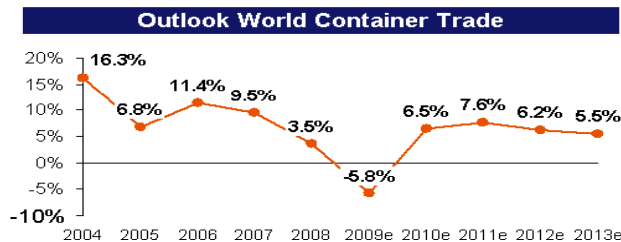
World Container Trade 2009e (mTEU) and growth rates*





The present Crisis

- Shipping is inherently the servant of the economy, so the contraction in trade volume, following the „credit crunch“ in late 2008, has translated into a dramatic and abrupt reduction in demand for shipping services since Nov. 2008.
- Combined with a reported drop of revenues per TEU on all major trade routes, most of the container shipping lines only very recently reported 1st quarter 2009 results deeply in the red, but:



Hapag-Lloyd View on Industry Development

- Despite current slump, Globalisation will continue as devision of labour is a proved success
- No structural problem of Container Shipping Industry
- Continuous growing industry, however not with growth rate as experienced during the last years
- In the long term balance of supply and demand

Carriers Negative Scorecard

Carriers with 1Q09 net profit/loss announcements	
COSCO	-\$490M
CSAV	-\$265M (est)
CSCL	-\$177M
EMC	-\$83M
Hanjin	-\$194M
Hapag LI	-\$325M (est)
HMM	-\$62M
Maersk	-\$559M
NOL	-\$245M
YML	-\$93M

Source: AXS Alphaliner



The present Crisis

Conclusion:



The shipping industry must prepare for a rough ride in 2009 and possibly 2010, but new protectionist measures are the least that the shipping industry needs !



How does the World react to the Crisis ?

- At the G-20 Summit in London, leaders pledged to work together to rebuild confidence and trust in the financial system and kick-start international trade, resulting in establishing a new Financial Stability Board to unite regulators. The IMF has been given more money and power in order to boost the economies of the world.
- Worryingly, the World Bank reported that 17 of the G20 Nations have already introduced new protectionist trade barriers between Nov 08 and Mar 09.
- The „Buy American“ provision in the US \$ 787 bn stimulus bill caused strong concerns amongst trading partners and MARAD’s aggressive promotion of the US flag LNG shipping and crews is a further source of worry.
- A number of nations have introduced some kind of trade measures and financial and fiscal programs that positively stimulate economy and are within WTO boundaries



How does the World react to the Crisis ?

Watch !!

The industry must, therefore, be extremely vigilant in reacting to any such moves towards protectionism in maritime trades, especially those using safety and security as a pretext !

Tomorrow, I understand, the ICS Chairman will make this point to the Transport Ministers, who – of course – are meant to be focusing on the implications for transport due to the economic downturn.



Liberalizing Maritime Shipping

- The most revolutionary liberalization lately has been the abolition of liner shipping conferences on European trades with effect of 18th October 2008
- There are worries that also the carriers' cooperation in consortia may not be block exempted after 2015 any longer. Carriers need legal certainty for such operational cooperations, which ultimately benefit the consumers
- Trading barriers such as „cargo reservation“ are almost gone on all trades (and a few may be justified, for example for „military cargo“)
- Cargo handling and other services in ports have seen some liberalization in past years, but could still be further improved
- some maritime areas, such as environment, safety and security also in future require mandatory regulation – BUT ON A UNIFORM AND GLOBAL BASIS !



Liberalizing Maritime Shipping

However, there have been some recent examples of undue governmental interference in commercial activities of international operators, that irritated shipping lines:

- India extended the definition of „governmental cargo“ (to broaden the scope of protection for national flag shipments). EU efforts to negotiate a bi-lateral Maritime Agreement remain unsuccessful so far
- Vietnam freight taxes (*seems settled since early 2009*)
- Indonesian Governments interference in setting Terminal Handling Charges
- China's investigation on carriers charging freight rates below cost



Liberalizing Maritime Shipping

Other forms of protectionist measures may express themselves in various forms:

- cargo reservation (scope of „Governmental / Military cargo“)
- berth preference (for national carriers)
- tax incentives for national flag shipments
- differentials in port / berth tariffs
- restrictions in transfer of funds (freight earnings)
- restrictions in the scope of permitted business activities
- restrictions in establishing wholly foreign owned offices
- rate of exchange stipulations for certain local payments by foreign carriers
- etc.

Admittedly such measures are disappearing, but politics and industry need to remain vigilant.



Liberalizing Maritime Shipping

For those sectors in maritime shipping where some regulation is indispensable, such as:

- Environment
- Safety
- Security



Regulations shall be:

- of global uniformity
- mandatory for all parties of the sector in reference
- as lean as possible and
- as efficient as practical & reasonable
- effectively consulted with the Maritime Industry



Maintaining Open Shipping Markets

Already today markets are open to international maritime shipping (with the exception of national cabotage, which is a major hurdle in the US, but also China and India, due to the length of their coast lines).

Today's barriers of entry into new shipping markets rather lie in the nature of the shipping business itself and especially refer to „new-comers“:

- it is capital intensive
- it is a longer term investment in a volatile / cyclical industry

Politics and Industry need to stay in dialogue on shipping issues in order to cope with remaining challenges and serve world trade as it will recuperate !



Thanks for listening !