December 12, 2016 1:00 pm JST

Big rate hikes elude trans-Pacific shipping lines

Overcapacity persists even after Hanjin collapse

Some shipping companies enjoyed a boost in transport volume following Hanjin Shipping's collapse. © Reuters

TOKYO -- Three months on since the bankruptcy of South Korean carrier Hanjin Shipping, container vessel rates for big freight owners have yet to rise substantially, due in part to overcapacity.

"Shipping lines fought over Hanjin traffic, but prices were slow to rise," said a frustrated marketing executive at a global carrier. Hanjin controlled roughly 7% of the market for trans-Pacific shipments from Asia to the U.S., putting it among the top five worldwide, prior to the collapse.

The benchmark rate for shipping a 40-foot container to the U.S. West Coast ranges from $1,000 to $1,500 in fiscal 2016. Rates for some consignors rose a little more than 10% from this level when their goods were shifted to other carriers, but such increases failed to catch on.

Rates for big freight owners are typically fixed every spring for the coming year based on spot prices. Rates were hiked in the middle of the fiscal year in 2002 and 2009 amid a surge in shipments. But the impact of the Hanjin collapse was not significant enough to warrant a price hike during the year.

This is blamed on abundant capacity, some consignors said. Players such as Kawasaki Kisen Kaisha, Nippon Yusen and other Asian companies boast capacities equivalent to an estimated 9,000 to 10,000 units of 20-feet containers a week for service between Japan and the U.S. After Hanjin went belly up, replacement vessels took over the failed company's cargo, preventing an extreme shortage.

Meanwhile, Japan's container shipping market is shrinking. U.S.-bound shipments from Japan accounted for a mere 3.6% of all shipments to that market in the first 10 months of this year, slipping behind South Korea and Singapore, figures from Datamyne show. Shipments from China made up about 60% of the tally.

The current capacity outstrips the demand originating in Japan, said a source at a logistics company.

Global container transport capacity is seen rising about 7% to 21.45 million units in 2017, U.K. data provider VesselsValue said. Oversupply as a whole is expected to continue as jumbo vessels able to accommodate around 20,000 units are completed starting next year.

"We'll eye increases when negotiating annual contracts," Mitsui O.S.K. Lines President Junichiro Ikeda said. Meanwhile, customers are placing "a greater focus on financial health" when selecting maritime carriers, an official at an automaker said.

(Nikkei)

Latest headlines

- India healthcare stocks set for rebound in 2017 on U.S. prospects
- South Korea's KT moves into web lending, but big banks pour scorn
- India shares fall ahead of Fed rate decision
- iPhone assembler Pegatron undecided about production in the US
- Nikkei Asia300 Index ends almost flat ahead of Fed rate call

more

Receive our newsletters

e-mail@example.com Register

Follow Nikkei Asian Review

Like 237K The best content posted

Follow @NAR The latest headlines tweeted

Japanese companies

- Nikkei 225 Components

You might also like

- India Shares Gain as Tata Motors Surge
- Japan quietly prepares for worst from North Korea
- Dentsu suicide triggers major crackdown
- Cambodian banker cries for his country as capital flows in
- Seafood prices spiking in Japan on weak global supply

Recommended by Outbrain

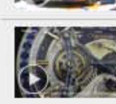
Most read

1. **Exclusive:** Japan Display to buy Panasonic-Sony OLED venture
2. Billionaire 'barbarian' corners Chinese blue chips
3. Toyota on track to sell over 10m cars for fourth year
4. Honda rethinks motorbike business amid ride-hailing boom
5. Japan's air conditioner makers boosting production in Asia

Videos


The big business of domain names


Bangkok auto expo kicks off


Baselworld 2016 Luxe Watch Interview [Sponsored]