
Recession reports - Platou urges bulk shipping lines to cancel 50pct of new orders

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According to shipbroker RS Platou ASA, bulk shipping lines need to cancel half of the new vessels they have on order to ease a capacity glut and revive freight rates.

Mr Bjorn Bodding senior analyst at Platou said that "If half the order book is never built, then we can keep the market fairly balanced. Even axing a third wouldn't be enough to help rates recover before 2012."

Bulk shipping rates have tumbled 78% from a record last year as growth in the global fleet outpaces China's demand for iron ore and coal shipments. The glut could worsen as commodity companies, such as Noble Group Limited, build up their fleets.

Mr Andreas Sohmen Pao CEO of ship operator BW Maritime said that "What worries me even more than the existing order book is seeing people ordering or about to order more tonnage. That's stretching out the problem further."

According to Drewry Shipping Consultants Limited, commodity carriers with a capacity of 291 million DWT are on order worldwide. That's equivalent to 66% of the existing fleet. Dry bulk ship deliveries increased 35% in the four months ended August from the preceding four months. Scrapping fell by 61%.

Mr Keith Denholm director of PCL (Shipping) Pte said that shipping rates have also been boosted this year by government economic stimulus plans, including a CNY 4 trillion package in China. Demand for iron ore and freight rates may begin to fall once these plans are completed. He added that "The levels that we are seeing today are just not sustainable. The question now is whether the private sector is going to be able to stand on its two feet without the assistance of the government stimulus packages."

(Sourced from www.bloomberg.net)

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