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## **Recession reports - Maersk sees huge gap between ship supply and demand**

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Mr Morten Nicolaisen CFO of Maersk said that the container shipping industry problems were so severe that even modest economic growth of 3% a year could not close the huge gap between ship supply and demand.

He told delegates at the East Coast Maritime conference in New Jersey that "The collective behavior of carriers adding more ships is what has led to this situation we are in today. Everyone was looking at upward curves and it was more ships, bigger ships with very little thought of what it would do to the industry when the supply and demand gap began widening."

Asked how the carriers could have allowed such a situation to occur, Mr Nicolaisen said that it took years to plan contracts with yards, build and deliver vessels. He added that "Over the past five years, the fleet has grown by 60%. You don't order just one vessel, you typically build a series of ships."

Mr Paul Bingham MD of global trade and transportation at HIS Global Insight said that even before the recession, there was already a gap emerging between ship capacity and cargo demand. He added that "If we had not fallen into recession we would still have had a problem, and now we have an enormous problem with this tremendous overhang of vessel orders. Capacity is far in excess of where we will ever get to in this recovery. The recovery is real and it will lead to a rebound in trade, but it will not get us to a point where we can use up the capacity in the ships that are sitting today in lay up or those that are still on the order books and will be delivered three or four years from now."

Mr Nicolaisen said that the competitive landscape would be transformed in the next few years as carriers adapted to the radically different trading environment. He added that "Clearly, the industry has to change or transform, and this will take different twists and turns depending on whether the carrier is government-run, or has private investors."

(Sourced from [www.cargonewsasia.com](http://www.cargonewsasia.com))

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