

- EXCLUSIVE: Japan's top three box lines could merge
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- Container and tanker operations hit AP Moller-Maersk third quarter
- Grand China joins list of transpacific casualties
- Is it time to think big on gas powered shipping?

View from... Paris

## Disney magic fails to lift flagging car sales

**Closer co-operation between producers and logistics players is looking more likely**



ROGER HAILEY — PARIS

CAR sales are a key barometer of economic confidence and a major market for the maritime sector, with 701 car carriers in the world fleet and 79 ships on order, according to Clarksons.

Europe remains number one for global car production, with 15m vehicles in 2010, a 25.8% share of the world's 58.3m new cars that emerged from factories last year.

Some analysts believe the European automotive sector still has between 30% and 35% more production capacity than it needs. Overcapacity, it seems, is not solely a shipping folly.

Despite the location for the Association of European Vehicle Logistics' Cost Versus Strategy conference, the New York Hotel in Disneyland Paris, there was no magic spell to solve the problem of flagging demand from consumers.

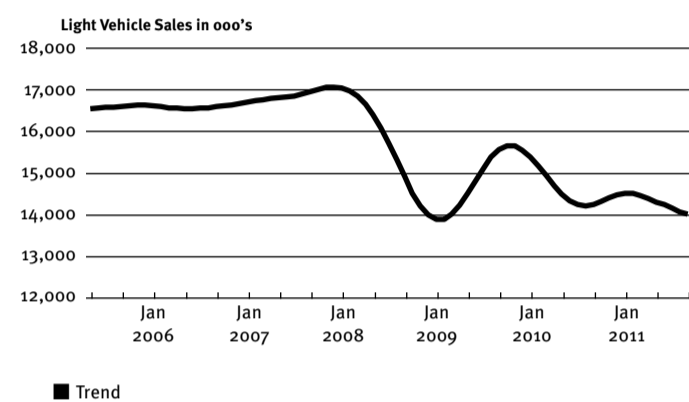
ECG president Costantino Baldissara told the audience that Europe's autologistics industry employs assets totalling €40bn (\$55.7bn), made up of 373 car-carrying ships, 13,000 railway wagons, 17,600 trucks and 22 river barges. These assets, he said, were equivalent to the sale of 2.6m cars or the construction of 60 car plants.

"This is the fleet that ECG's members put at the disposal of the carmakers every day. Unfortunately, this huge investment does not get the respect it deserves. The high risks taken by many entrepreneurs are not fully appreciated," Mr Baldissara said.

The audience had earlier

### WESTERN EUROPEAN AUTO SALES

A triple dip



Source: IHS Automotive

received a wake-up call from the new president of the European Community Shipowners' Associations, Juan Riva, who pointed out the cost implications of Marpol Annex VI, which sees a 0.1% sulphur limit on bunkers for the Baltic and North Sea from 2015, which the European Commission will extend across the European Union from 2020.

Mr Riva, who wants European carmakers to lobby Brussels for a change in policy on the sulphur deadline for shipping, told the autologistics players that bunker prices are likely to rise 75%, forcing a "reverse modal shift" back to trucking.

The implications of this for the shortsea/ocean and inland logistics for finished cars supply chains are enormous — extra cost and road congestion for starters — and the point was not lost on the audience, whose questions returned to the theme throughout the day of the conference.

Mr Riva, rehearsing a Finnish study, said that transport costs for the whole logistic chain will increase by 2%-7%, the fuel cost per goods tonne per travel day will increase by 2%-10%, with a need to increase sea freight rates by 25%-40%.

Another thought-provoking presentation was that from a senior

market analyst as IHS Global Insight, Carlos Da Silva, whose market forecasts and industry digest both cause for hope and concern.

Mr Da Silva asked whether the Greek debt crisis could be Europe's Lehman Bros, prompting four alternative futures, three of which sound like Horsemen of the Apocalypse: Recovery Re-ignites, Slowdown, Double Dip and Showdown Global Financial Crisis II (Vortex).

World demand for light vehicle demand is walking — or rather hobbling — on two legs, the fast-growing Brics (Brazil, Russia, India and China) and the slower mature markets of the US and Europe.

Worryingly, western European auto sales face a potential "triple dip", said Mr Da Silva, as European Union governments switch off financial incentives for scrapping older cars.

Mr Baldissara had earlier pointed out that the latest research shows nearly 36% of all cars in Europe are over 10 years old, with another 32.3% between five and 10 years old.

The ECG boss called for European governments to introduce new car scrapping incentives if the outbound vehicle logistics sector is "not to be ravaged by a second economic downturn".

He argued that, properly calibrated, "as was the case in Italy," such incentives could benefit both consumers and governments.

"After Lehman Brothers, 20% of the car-carrying capacity of our sector was slashed almost overnight. Since then, margins have been so squeezed that our members have had neither the money nor the inclination to invest in fleet renewal. As investment dries up and the fleet ages, the original equipment manufacturers risk entering an eventual upturn without the ability to get their cars to market."

Mr Baldissara called on deep-pocketed OEMs "to recognise that outbound vehicle logistics is not simply a cost but a marketing advantage, and that treating LSPs with respect will also work to your benefit."

"Longer contracts at reasonable rates, for instance, will induce LSPs to invest in the assets you need to deliver your vehicles safely and efficiently."

In a fitting metaphor, one speaker described co-operation between automakers and automovers enthusiastically as "the transmission fluid in the gearbox for more flexibility in transport".

Carmakers are not broke, it would seem, and appear better funded than most banks these days. IHS estimates that car producers worldwide are holding \$263.3bn in cash and equivalents, equating to a 19.3% cash/revenue ratio.

Close co-operation between the producers and the logistics players is looking more likely.

An initial working group session between representatives of ECG and carmaker group ACEA in December will address issues in "non-competitive areas" such as "eliminating waste and improving efficiency".

The idea is to stop the autologistics industry from stalling. ■

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## The Last Word...

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Archaeologists carrying out studies in the area found remainders of bone, flint and charcoal in the seabed at the bottom of Rotterdam harbour.

### Primitive life in Rotterdam

TODAY the Yangtze haven, a harbour located on the Rotterdam Maasvlakte, is home to the Euromax container terminal and the Maasvlakte oil terminal.

However, 9,000 years ago, the area was inhabited by primitive humans who spent their days scraping hides, fashioned weapons and grilled meat.

Archaeologists who are currently carrying out studies in the area found remainders of bone, flint and charcoal in the seabed at the bottom of the harbour, offering indisputable evidence the area was once home to early people in an era when the area was not yet part of the North Sea.

Archaeologists say little is known what happened to the Neolithic hunter-gatherers that once inhabited the area. As a frequent visitor to Rotterdam, however, Last Word suspects they might have found a new cultural niche in the region as supporters of the local football team, Feyenoord.

### A tip to the Brits

GOING on a cruise is still regarded as something of a luxury vacation for most people. Cruise lines now have even bigger ships to fill and prices are competitive, but cruising is still a relatively expensive holiday.

Tipping is a notoriously touchy subject, with different national cultures adopting varying attitudes to giving gratuities. Stingy Brits being embarrassed in the US by being told they have not left a big enough tip is a common experience.

News that leading cruise operator Carnival is lifting its recommended level of tips by 15%

from \$10 per passenger per day to \$11.50 per day for its US ships in these hard times might not be universally welcome.

The new level is still below that of some of its rivals and is the first rise for 10 years, though some ships operate a no-tipping policy.

However, the fact that Carnival-owned P&O Cruises in the UK market recommends a mere £3.10 (\$4.98) per passenger per day clearly shows the cultural difference. The image of tight Brits counting the pennies endures even in such luxury surroundings.

### Let's call the whole thing off

YOU say potato, I say potaahoto. You say oil demand will keep rising by 2035, I say oil demand will peak by 2020 and decline thereafter, let's call the whole thing off... or so the popular ditty doesn't quite go.

But the point is that two different reports on the same topic can reach opposite conclusions, making any meaningful decisions on investment in shipping mightily difficult.

The reports in question came out this week, with the Organisation of the Petroleum Exporting Countries concluding that world oil demand is set to rise over the next 25 years (well they would, wouldn't they, seeing as they supply most of the stuff) while a report by consultancy Ricardo said oil demand will peak by 2020 on improved energy efficiency and growing use of biofuels for transport.

You can almost hear the tortured screams of potential tanker investors (if indeed there are any) as they run for the hills and look for something simpler to put their money into. ■

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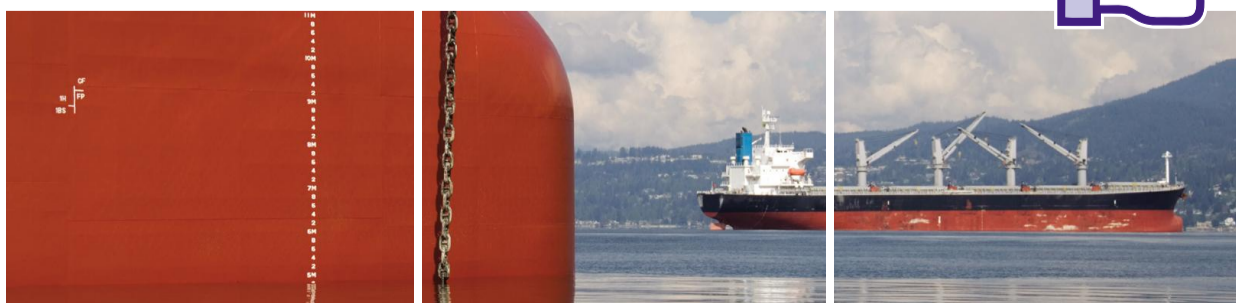
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