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Editorial

Dear readers:

This issue of our Transport Newsletter sets out with a briefing at our UNCTAD XI conference in Sao Paulo and our background issues note on the topic of "Trade and Transport Facilitation: Building a Secure and Efficient Environment for Trade" (see page 4).

Three articles (starting on page 5) deal with trends in container shipping. The first is about the process of concentration in different maritime businesses, the second about the surge of freight rates during the last two years, and the third briefly presents some forecasts of containerized trade. Feed back and discussion from you on these items is always very welcome.

Three items (starting on page 19) in this newsletter are about capacity development, including information about the World Maritime University, the International Port Training Conference, and UNCTAD's Port Training Programme.

Finally, we also announce a few new publications and upcoming events which we believe are of interest to international transport and development.

For feedback, comments, and suggestions for our next Transport Newsletter (3rd Quarter 2004), please contact Jan Hoffmann at jan.hoffmann@unctad.org before September.

With best wishes from the Palais des Nations in Geneva,

Your Transport Section Team

Geneva, June 2004

Subscriptions

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UNCTAD XI

Plenary Session

As already announced in the last issue of the Transport Newsletter, UNCTAD XI will include a special session on "Trade and Transport Facilitation: Building a Secure and Efficient Environment for Trade", within the Session "Partnership for Development: Information and Knowledge for Development" on 17 June. Confirmed speakers of the High Level Panel include His Excellency Dato' Ahmad Husni Mohamad Hanadzlah, Deputy Minister of International Trade and Industry, Malaysia; Mr. Issa Baluch, President, FIATA, and CEO, Swift Freight International Dubai, UAE; Mr. Kunio Mikuriya, Deputy-Secretary General of the World Customs Organization; Mr. Jayson P. Ahern, Assistant Commissioner, Office of Field Operations, U.S. Customs and Border Protection; Mr. Marc Juhel, Transport and Logistics Advisor of the World Bank.

The agenda can be accessed via http://www.unctadxi.org/templates/Event____67.aspx

Issues note

As part of our preparations for the plenary session, we have prepared an issues note on the same topic. This note analyses recent developments in trade and international transport and their role in globalization and the development process. The environment within which trade takes place has changed as a consequence of terrorist threats and ensuing security measures. The document presents some of the new requirements that shippers and transport service providers must adhere to. From its introduction: "Patterns of provision and management of trade logistics services evolved fundamentally in the 1990s. Two major trends appeared: on the one hand, global trade induced the development of global transport systems with global service providers operating global routes; on the other hand, the merging of manufacturing and distribution activities and the growing geographical fragmentation of global production processes led to the development of supply chains servicing door-to-door transport solutions. For many developing countries, these trends pose a major challenge: to ensure that their own trade supply capacity can take advantage of global transport systems available to their competitors. In practice, this means Governments have to adopt policy reforms that will allow their national and regional transport systems to keep efficient operative linkages to global trade logistics systems. At the same time, Governments need to take into account the obligation to comply with new and more stringent security requirements, whose implementation poses particular challenges for developing countries. This document looks at recent developments in international trade and transport, as well as at new requirements related to security and trade efficiency. It discusses how trade and transport facilitation measures can help achieve compliance with new security measures while at the same time assisting developing countries and their participation in global trade and production processes. Finally, it introduces the Global Facilitation Partnership for Transportation and Trade as a multilateral platform to contribute to a more efficient and secure environment for international trade and transport."

The complete document can be downloaded under www.unctad.org/en/docs//td393_en.pdf

Live on-line transmission 17 June 2004

Our plenary session on Trade and Transport Facilitation will be transmitted on Thursday, 17 June live via www.un.org/webcast/unctadxi at 11.00 o'clock local time (16.00 Geneva time).

Concentration in Shipping and the Specialization of Countries in Maritime Sectors (1)

At two recent conferences in GwangYang (Republic of Korea) and Karachi (Pakistan), UNCTAD staff presented some research findings concerning the process of concentration in maritime businesses and the closely related trend that countries tend to "specialize" in different maritime sectors. In this issue of the Transport Newsletter, we will summarize some of these findings concerning the process of concentration in 14 different maritime businesses. In the next issue (3rd Quarter 2004), we will present more information about the specialization of countries in different maritime businesses.

1) Liner shipping companies

At the beginning of 2004, the top 25 container carriers control 79% of the world's TEU capacity. Their TEU capacity grew by 12% during 2003. The next largest 26th-50th companies by comparison grew by only 9%. The Maersk-Sealand group accounts for 12.2% of operated slots, followed by MSC with 7.15%. Maersk-Sealand belongs to the Danish AP Moller group. MSC's headquarters are in Geneva in landlocked Switzerland. Chilean based CSAV is the largest container carrier headquartered in the Americas. American President Lines is based in Singapore, CP ("Canadian Pacific") Ships is headquartered in London. Maersk-Sealand charters about 41% of its fleet, and MSC an even higher 56%, i.e. MSC owns only 44% of the TEU capacity it operates. Ten of the top 15 liner companies are based in Asia.

2) Ownership of containerships

The ownership of containership is less concentrated than its operation. As mentioned above, operators tend to charter a large proportion of their vessels, which tend to be owned by "non-operating" owners, such as NSB Nordelbe (Germany). The latter has a market share of 15% among the top 20 charter-owners. In Europe, the ownership and operation of vessels tends to be more split into different companies than in Asia, where companies tend to own a relatively larger proportion of their fleet than the major European carriers.

3) Vessel registries

Taking into account all types of vessels, including fishing, passenger and other specialized ships of 300 GT and above, about two thirds of the world's tonnage uses a "foreign" flag, i.e. a flag different from the operator's country of domicile. If we take only containerships of 500 GT and above, 73% of the world's TEU capacity uses a foreign flag. The major open registries have continuously increased their market share over the last decades, although in recent years the introduction of a tonnage tax in some European countries, as well as the surge of a few younger registries such as Marshall Islands or Vanuatu has slowed down this process of concentration.

4) Container ship building

Three Korean and one Japanese company are the world's four biggest containership builders, in terms of TEU, based on the order book in November 2003. Korean shipyards account for 62% of orders, and all Asian shipyards together for 86%. European yards together have a 13% market share, and North and South American yards together less than 1%.

5) Classification societies

The four largest classification societies are based in Japan, United States, United Kingdom, and Norway. The ten largest classification societies are also the ten members of the "International Association of Classification Societies" (IACS). Together, these have a market share of 85%.

They include the above-mentioned top-four, plus Germanischer Lloyd (Germany), Bureau Veritas (France), China Class Society, Russian Register, South Korean Register, and Registro Italiano.

6) P&I Clubs

Most of the major Protection and Indemnity (P&I) clubs are based in the United Kingdom; some others in Scandinavia, Japan and the United States.

7) Container manufacturing

Approximately 82% of all containers are being built in China, the two leading companies being CIMC and Singamas.

8) Container leasing

Container leasing is among the few maritime subsectors where concentration has decreased in recent years. Transamerica and GESeaCo used to control about 50% of the market in the 1990s. There are now four major players in leasing containers. Triton and TransAmerica have 13% market share each, Textainer 12.5% and GESeaCo 11.5%. TransAmerica, Textainer and Triton are administratively headquartered in the United States, although Textainer and Triton have corporate Headquarters in Bermuda. GESeaCo is headquartered in London. Container carriers own about 50% of the container fleet, leasing companies about 45%, and the remainder is owned by trucking and other companies.

9) Ship-to-shore crane manufacturing

At the beginning of 2004, there were around 250 cranes on order globally. The by far biggest supplier is ZPMC, based in Shanghai, with a market share of 55%, up from 32% one year ago. The other three main producers are Europe-based, although production often takes places in Asia.

10) Container ports

Chinese ports, including Hong Kong, make up three of the world’s top five ports, measured in TEU throughput. In 2003, Shanghai and Shenzhen have overtaken Busan, which now ranks 5th in the world. Six of the top ten, and 20 of the top 30 container ports are located in Asia.

11) Container port operators

Half of the top 10 port operating companies are linked to shipping lines; APM, for example, belongs to the same grouping as Maersk-Sealand. Others originate from a major container port; Hutchison, for example, started in Hong Kong, PSA in Singapore, and Eurogate in Hamburg. The market share of these global port operators has been growing in recent years mainly due to concessions of previously state run facilities.

12) Ship agencies

Globally, about 95% of ship agency companies are still locally based and operate in only one country. However, there is a growing trend towards single agency contracts. It is estimated that around 25 agency companies have contracts with ship operators covering more than one country. The largest three companies appear to have a combined market share of around 10%. The largest, Inchcape, is headquartered in London, while GAC is in Dubai, and Barwil in Oslo.

13) Ship scrapping

Effectively 99% of world ship scrapping during the last decade has taken place in Asia. The largest market share is that of India, followed by Bangladesh, Pakistan and China. The Chinese market share has increased in recent months due to its high demand for steel.

14) Seafaring

About 56% of seafarers come from Asian countries (2000 data), the largest providers being the Philippines, followed by Indonesia, China, Turkey and India. In recent months, more stringent visa requirements for seafarers from some predominantly Muslim countries have led to certain shifts in the traditional employment patterns.

Comparative table

By far most of the 14 maritime sectors described above have seen increasing levels of concentration over the last decade. Today's situation is summarized in Table 1 (the sectors of ship scrapping and seafaring are not included in the table because the available data is not on the company level). The Table ranks the sectors according to their level of concentration, using the measure "Herfindahl Hirschmann Index" (HHI) for the top four companies. The HHI is computed by summing the square market shares of the companies.

Table 1: Concentration indicators for maritime sectors, summary

Sector	Comments	market share top 4	HHI top 4
Container manufacturing	Largest companies are CIMC and SINGAMAS, both from China. Note: the market shares and the HHI are estimated with information on only two companies. Source: Lloyds List, various issues.	81	3'623
Ship to shore crane manufacturing	Largest company is ZPMC (56% market share). Source: Cargo Systems, February 2004.	80	3'366
Container ship building	Hyundai has 32.8% of TEU on order. Next largest builders are Samsung, Hanjin and IHI. Source: Clarkson Container Intelligence Monthly, February 2004.	62	1'426
Classification societies	Largest society in terms of GT is Nippong Kaiji, with 18.9%. Next largest are ABS, Lloyds Register and Det Norske Veritas. Source: LRFairplay, January 2003.	66	1'097
P&I Clubs	The "United Kingdom Club" has a market share of approximately 17%, followed by Britannia, Gard and Standard. Source: Bow Wave, March 2004.	52	704
Container leasing	Source: Exim News Service Mumbai, quoting Drewry Shipping consultants, 12 May 2004.	50	627
Vessel registration	Panama registers the largest share of vessels (22% of GT), followed by Liberia, Bahamas and Greece. Source: LRFairplay, January 2004.	42	626
Port operation	Largest operating companies are Hutchison (13%), PSA, APM Terminals and P&ON. Source: Dyna Liners, 2003.	34	330
Liner shipping companies	Largest companies are Maersk Sealand (12.2% market share), followed by MSC, Evergreen and P&ON. Source: Dyna Liners, various issues	31	268
Container ports	Hong Kong (China) has a world market share of 7%. Source: Dyna Liners, 2004.	22	129
Container ship owning	The largest owners are Maersk Sealand and Evergreen, followed by NSB Nordelbe, which is the largest non-operating owner. Source: Clarkson Container Intelligence Monthly, February 2004.	19	96
Ship agencies	Inchcape has an estimated market share of about 4.4%. Source: Lloyds Shipping Economist, September 2003.	11	39

Source: UNCTAD, based on a wide variety of primary sources (see notes in Table). Please contact jan.hoffmann@unctad.org for more detailed information and sources.

It is important to note that, for the present article, these concentration indices were not calculated with a view to analysing market power. Concentration is only looked at as a first step to analyse which countries specialize in what type of maritime business. Market power could be examined by studying ports or individual routes. Nevertheless, it is still noteworthy that the HHI is a measure of market concentration that is widely used by anti monopoly agencies. US Federal agencies handling anti-trust issues consider a market having an HHI of 1000 or more as "concentrated" and 1800 or more to be highly concentrated, probably requiring intervention to ensure that no market monopoly is exercised. Given that usually information is not available for all market players, and given also that the squared market share decreases exponentially for smaller participants, sometimes the HHI of only the top four players it computed, which is also what is presented in Table 1.

From Table 1, it can be seen that the "building" sectors (cranes, containers, vessels) are the most concentrated maritime industries. They require abundant and relatively inexpensive and skilled labour. China is dominating crane and container manufacturing. China is also right now building the world's largest shipyard and it is expected to increasingly compete with Korea and Japan for market share in ship building. At the same time, several European and American ship yards have closed down in recent years.

The countries that historically used to be strongest in terms of nationally built, flagged, manned and operated fleet are the major OECD economies. These countries are still hosting the main classifications societies and the P&I Clubs. They also continue to be relatively strong in liner shipping and container vessel owning, although in these two sectors the newly industrialized Asian economies have become very strong, too. The United States is no longer a major player in container ship owning or operation.

Container leasing is concentrated in the United States and United Kingdom. Both countries also export other capital and leasing services.

Vessel registration is a business with little relation to other maritime sectors, and most countries whose flags are used by the owner/operators are relatively small open economies. Most do not possess much else of a "maritime" sector, although some, such as Cyprus and Panama, have managed to attract other maritime service providers in the areas of crewing, arbitrage, or ship financing.

Port-related activities are the least concentrated on a global scale. However, here, too, we observe a trend of the beginning of concentration, where major port operating companies are linked to those countries with large ports, increasingly from Asia, and agency services are provided by companies from countries with a large service sector.

As we observe how certain businesses are concentrated in a limited number of countries, it can