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EDITORIAL OFFICES

E-mail: letters@tradewinds.no
 Athens: (+30) 210 724 5541; fax: 9508
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E-mail any of our EDITORS & REPORTERS by using "firstname.lastname@tradewinds.no" — Athens: yiota.gousas and gillian.whittaker; Genoa: ian.lewis; London: paul.berrill, adam.corbett, gary.dixon, geoff.garfield, lucy.hine, john.landells, jim.mulrenan, eoin.oinneide and liz.shuker; New Delhi: narendra.taneja; Oslo: trond.lillestolen; Shanghai: hans.thaulow; Singapore: irene.ang, jonathan.boonzaier and dale.wainwright; Stamford, CT: joe.brady and bob.rust; and Wavelength columnist: terry.macalister

MARKET FOCUS



CAR-CARRIER RUSH: DVB says Chinese car makers are likely to become household names soon in the rest of world. Above, evening traffic on a major thoroughfare in Beijing.

Photo: Reuters

Transport bank DVB has tallied the numbers for car carriers and its prediction is upbeat.

Geoff Garfield London

The global car-carrier market is expected to stay firmly in the fast lane for some years ahead, says a new report.

Shortages in vessel supply, driven in part by US consumers swapping gas-guzzlers for more frugal Japanese imports, should see further newbuilding orders and the average life of ships extended.

German-Dutch transport bank DVB in a market outlook for pure car/truck carriers (PCTCs) also predicts greater co-operation between operators to maximise vessel utilisation.

DVB estimates that around 3.18 million car equivalent units (ceu) of capacity will be needed to transport the estimated 19.8 million vehicle units of world seaborne trade in 2010.

This is sharply higher than the 2.4 million ceu used to carry approximately 15 million units in 2005. The figures are based on usage per ceu of 6.23 times.

DVB, drawing on data from various sources including LR Fairplay and Clarkson, says that by last month there were 173 vessels totalling 929,388 ceu on order and set to enter the market between 2007 and 2001. This is fewer than the 200 cited by others and well below the 250 some estimate, if unreported deals are included.

The bank's research and strategic-planning division says this huge orderbook, 34% of the current 2.67 million ceu fleet (687 vessels), should be viewed against the fact that 234 ships of 754,550 ceu will be more than 25 years old by 2011 and could be demolition candidates. Another

one million ceu will be 23 years old.

However, hardly any car carriers are being scrapped because of demand. Only one ship of 3,616 ceu was put to the torch in 2006.

Last year, 39 vessels of 216,609 ceu were added to the fleet, the largest number since pure car carriers were introduced. That record will be broken again this year, with 47 vessels (251,000 ceu) delivered, and peaking in 2008 at 64 newbuildings (366,000 ceu).

Not only are numbers growing to meet the demand of the vehicle manufacturers, with whom the operators have long-term contracts of affreightment (COAs), but so is the average vessel size. Almost 50% of the 173 newbuildings mentioned by DVB are more than 6,000 ceu, the largest over 8,000 ceu.

The average newbuilding size is now 5,372 ceu versus the existing fleet's 3,882 ceu. Values have also soared, with a 6,500-ceu ship

jumping from around \$45m in 2000 to \$73m and a 3,500-ceu unit from \$38m to \$50m.

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DVB report: "Increased demand, especially on the Japan-US route, is absorbing virtually all tonnage entering the market and thus has pushed up both vessel values and charter hires."

Earnings are now well above estimated daily break-even levels of around \$22,000 per day for a 6,500-ceu ship. This is based on over \$40,000 per day for a one-year time charter with prompt delivery, around \$35,000 per day for a three-year time charter, and \$28,000 for 10 years with delivery in 2009 to 2010. Very few ships, however, are available prompt because of the tight supply/demand situation.

DVB's figures of ocean transport demand accelerating from 15 million ceu to 19.8m ceu between 2005 and 2010 are sourced from Drewry — an increase set against massive production and demand trends in developing markets. For example, production of light vehicles in China is expected to increase from 5.5 million units in 2006 to 7.5 million in 2011 — a rise of almost 35%.

DVB says Chinese car exports/sales into North America are non-existent at the moment but adds that the de-

mand for good-looking and cheap vehicles in the rest of the world "could turn the Chinese car makers into household names with unprecedented speed".

The bank said: "The world is forecast to see more cars produced in the next 20 years than it has seen in the past century. Based on this and the current fleet/orderbook, the car-carrier market is expected to remain firm until the end of this decade."