

THE MARITIME ECONOMICS PANEL
PRESENTS:

THE FUTURE OF THE PACIFIC LINER TRADES
and Implications for Ship Design and Acquisition

The trans-Pacific liner trades have been the largest and fastest growing sector of global commerce for the past decade. In the years to come, these trades are expected to become an even more important part of both the international logistics network and the American economy. This session will examine the economics of the Pacific liner trades and explore the implications for future demand and supply of vessels to serve those trades. It will also try to foresee the effects on the designs of those vessels, including vessels for US flag service.

The first presentation will focus on the demand side economics for the Pacific liner trades. The panel will address the drivers of demand, explore the sensitivities of demand to various possible scenarios, and present an overview of demand in the trades for the next five years. Driving increases in demand for containerized shipping are: the trend toward global sourcing and global markets; the relaxation of trade barriers; and the increasing ease of doing business across wide geographical areas. At the same time, various factors will tend to retard the growth curve for liner shipping in the Pacific, including alternative transportation modes such as air, political instability in the region, and shifts in manufacturing to other areas, such as Latin America. Further, the dominant trends affecting the supply chain – shorter order cycles, emphasis on reduced inventories, postponement and just-in-time strategies, and direct service requirements – all influence the requirements for ocean transport on these lanes.

Next, the panel will examine the economics of supply by translating those trade forecasts into views of demands for different types and sizes of vessels. By comparing and contrasting the economic trade-offs of various ship sizes and speeds, conclusions will be drawn concerning what vessel characteristics would be most advantageous from an economic perspective. For routes having various levels of trade flow (arterial versus secondary), the pros and cons (or risks and rewards) of different ship sizes and speeds will be addressed. Further, the panel will assess the impact various levels of route capacity may have on freight rates and relate this to the likely profitability of vessels having the sizes and speeds discussed.

The third presentation will examine the trans-Pacific liner trades from the perspective of a US-flag operator. The US flag segments of that market will be explored, including cargoes transported for the US military, other US preference cargoes (some of which do not have a US-build requirement), and the coastwise and blue water (Alaska and Hawaii) Jones Act trades. Legal and regulatory issues will be examined, including the Jones Act, construction differential subsidy, military subsidies and the Maritime Security Program, and ship financing through the Title XI program.

Finally, the panel will consider the implications of all of these factors for naval architects and marine engineers, in terms of vessel design requirements and concepts appropriate for the various trades and routes. Ships to serve these trades will be designed in an environment featuring a continuing upward trend in vessel sizes (with the attendant impacts on port accessibility, facilities and equipment), a bias toward higher speeds, continuing reductions in crew size (with a further shift to in-port maintenance and support), heightened requirements for

maritime security, the need for complete and continuous visibility of every cargo item in transit, from origin to destination, rigorous requirements for prevention of ship-caused environmental impacts, and so on. What will the ships be like that can meet these requirements? The presenter will give an overview of how ship designers may respond to these and other issues.

In each of the four segments of this session, the presenter will be joined by the other panel members in a discussion of the issues and projections, and members of the audience will be encouraged to join in, too, to contribute their knowledge and experience.