



ASF SERC

ASF Shipping Economics Review Committee

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NOTE OF UNDERSTANDING

adopted

at the 22nd Interim Meeting of the Asian Shipowners' Forum (ASF)
Shipping Economics Review Committee (SERC)

The 22nd Interim Meeting of the ASF SERC was held in Tokyo on 2 March 2010. The meeting was attended by 19 representatives from the ASF member associations of ASEAN, China, Chinese Taipei, Hong Kong, India, Japan and Korea. The attendance list is attached.

1. World Economy

The SERC delegates shared the common view that the major developing economies, including China and India, have retained their strong economic growth, in contrast to the slow recovery from recession in developed countries, and will continue to be the main focus for the revival of the global economy. The delegates agreed that it was important for carriers to develop an accurate perception of the overall trade situation through better access to reliable trade information and understanding of macroeconomic trends in order to improve decision making and avoid misjudgements. Bearing this in mind, the meeting reaffirmed the importance for CEOs of Asian shipping companies to calmly consider the facts regarding the impact of the current global recession and lessons learned from this time as they review their business operations.

2. Dry Bulk and Tanker Shipping

1) It was recognised that the dry bulk market had made a remarkable recovery, following on from the historical low record of the Baltic Dry Index in December 2008, and currently remains firm, despite turbulent swings, mainly due to the constantly growing volumes of imports of iron ore and coal by China and India. The delegates noted that Chinese demand would drive the 2010 global seaborne trade in iron ore past 1 billion tonnes for the first time, and consequently the concern over the possible huge number of new buildings being delivered in 2010 could be mitigated.

2) As for the tanker sector, the market remained sluggish, regardless of vessel types and trades in 2009, partly due to the low demand for crude oil and petroleum products in developed countries and the slow retirement of single-hull tankers. It was recognised by some delegates that the market in 2010 would likely remain on a softening trend for the time being, in light of the high supply of new buildings.

3. Liner Shipping

1) All the delegates recognised that the entire container shipping industry remained in unprecedented difficulties and seemed to face a deficit of approximately US\$20 billion in 2009. Under the current circumstances, the meeting recognised that it was critical for shipping companies to facilitate a constructive relationship with shippers to obtain their correct understanding on the severity of the current crisis and subsequent impacts.

2) In connection with the Intra-Asia trade, it was reported that the container cargo movement has maintained a year-on-year increase since September 2009, thanks to the upward trend of the Asian economy since 2nd Quarter of 2009, although the total volume in 2009 appeared to slightly trail 2008. Taking into account the expected further increase of cargo movement by the launch of the free trade agreement between China and ASEAN on 1st January 2010, the delegates shared the view that demand in the Intra-Asia trade as a whole would likely maintain a positive trend, but noted that the market was still fragile and could face volatility due to increased market entrants as a result of current low charter rates.

3) As for the US / Far East trade, the delegates noted that the supply and demand balance and general space utilisation were at a more favourable level since the end of 2009, as a result of the scale reduction of ship operations made in response to the sluggish US economy. Concern was also expressed that there still remained a huge capacity laid up globally at around 10% of the total container fleet, which could easily affect the brittle supply and demand balance in the trade, depending on the extent of any reintroduction of capacity.

4. Antitrust Immunity

With regard to the anti-trust immunity system for ocean carrier agreements, reports were made on the recent developments in countries and regions such as US, EU, India and China. Recognising the ASF's long-standing stance that carrier agreements contribute to an improvement of service quality/efficiency and that anti-trust immunity system is absolutely indispensable for healthy development of the shipping industry as well as the whole trading industry, the delegates agreed to make continued efforts to seek the understanding of concerned parties such as governments and shippers for the necessity of the immunity system and important role of carrier's agreements.

5. Environmental Issue

The meeting noted the latest developments on environment issues discussed at the IMO, which will have huge impacts on the operations of shipping companies. The members unanimously recognised that it was essential for the shipping industry, as part of its corporate social responsibility, to work together to address the reduction of gas emissions from ships. Anticipating that fuel oil prices will continue to increase, due not only to normal market forces, but also expected fuel-levies such as a low-sulphur surcharge, the delegates shared the common understanding of the need for developing new technologies for the improvement of fuel-efficiency. The members also took note that slow steaming was one effective mean to reduce emission and save fuel consumption. In reference to any implementation of slow steaming, shipping companies were encouraged to consult with shippers and make their utmost efforts to obtain shippers' understanding.

6. Future Role of SERC

The Chairman proposed to review the future role of SERC from various standpoints and the delegates agreed to exchange their views in the next SERC meeting at the 19th ASF to be held in Hong Kong on 25 May 2010.

7. Other Issues

1) With regard to Panama Canal Tolls, the delegates express their grave concern over the increasingly high tolls. The meeting agreed to make a submission in the name of the ASF to the Panama Canal Authority seeking a more meaningful reduction of a longer duration in light of the protracted economic crisis faced by the world shipping industry.

2) The delegates also exchanged their views on recent topics surrounding the shipping industry, such as US and Asian regulatory developments, transportation security issues, and the WTO negotiations on maritime transport services.

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The ASF Shipping Economics Review Committee (SERC) is a forum for senior executives of Asian shipping lines to review macroeconomic trade information and developments, as they relate to shipping and trade. The objective of the SERC is to improve the quality of executive decision-making by the review of available macroeconomic data and the sharing of perspectives on major trade and shipping policy issues.
