

Panamax boxship value destruction unparalleled in recent history

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Containers, Greater China



With news overnight coming in from broking reports that a seven-year-old panamax boxship has been sent for scrap, Tim Huxley, chairman of Mandarin Shipping, discussed the troubled sector at a breakfast organised by *Asia Maritime* in Hong Kong this morning.

“The destruction in equity seen in these ships in the past few years has been devastating,” Huxley said. In his 34 years in the industry, Huxley said he had never seen a subsector in shipping destroyed so fast. He explained that in the wake of the expanded Panama Canal the value destruction in panamax boxships was down to their increasing obsolescence.

“There are no opportunities for these ships,” Huxley said.

According to Bimco, 47% of the record 500,000 teu scrapped in the first 10 months this year have been panamaxes.

While some owners have sought to either widen their redundant ships to 7,000 teu or even make them smaller, Huxley said this was futile.

“There are too many ships – scrap them,” he urged.

Mandarin Shipping is focused on the feeder sector, midway through taking delivery of a series of six 1,700 teu ships from a yard in China. Huxley told delegates attending the breakfast that the feeder sector has not been as “slaughtered” as other markets.

“A lack of investment in the feeder sector has been crucial for better rates in 2016,” Huxley said, noting that while intra-Asia trades have been “fairly uninspiring” this year, a pick up has been seen in the Caribbean, the Mediterranean and the Baltic.

Huxley warned he was seeing an increasing number of feeder vessels not being maintained to the standards charterers demand. In the wake of the Hanjin collapse, he said shippers should focus more on reliability than price, something he admitted was “a dream”

Finally, Huxley urged fellow owners from going to the yards for more ships.

“I ask any of you considering an investment in shipping not to order any new ships in any sector,” Huxley said, adding: “There are plenty of rich pickings in the secondhand market.”

The former broker did note however that many Chinese shipbuilders, having seen demand for dry bulk newbuilds disappear, are now marketing boxships.

The breakfast was one of the more than 40 events taking place during Hong Kong Maritime Industry Week.