

## EXECUTIVE SUMMARY

The year 2015 is a milestone for sustainable development. The international community has a unique opportunity to strengthen its commitment to sustainable development and consider how best to mainstream sustainability principles across all economic activities and sectors, including maritime transport. In this context, relevant chapters of the present edition of the *Review of Maritime Transport* highlight some issues that are at the interface of maritime transport and sustainability and underscore the role of maritime transport in helping implement a workable international sustainable development agenda.

### Seaborne trade

The world economy embarked on a slow-moving recovery led by uneven growth in developed economies and a slowdown in developing countries and economies in transition. In 2014, the world gross domestic product (GDP) increased marginally by 2.5 per cent, up from 2.4 per cent in 2013. Meanwhile, world merchandise trade increased by 2.3 per cent; this is down from 2.6 per cent in 2013 and below the pre-crisis levels.

Accordingly, preliminary UNCTAD estimates indicate that global seaborne shipments have increased by 3.4 per cent in 2014, that is at the same rate as in 2013. Additions to volumes exceeded 300 million tons taking the total to 9.84 billion tons. This performance unfolded in the context of a number of developments, including (a) a slowdown in large emerging developing economies; (b) lower oil price levels and new refinery capacity developments; and (c) a slow-moving and uneven recovery in the advanced economies.

On balance, growth in world GDP, merchandise trade and seaborne shipments is expected to continue at a moderate pace in 2015. The outlook remains uncertain and subject to many downside risks, including continued moderate growth in global demand and merchandise trade, the fragile recovery in Europe, diverging outlooks for net oil consumers and producers, geopolitical tensions, and a potential faster slowdown in developing economies, in particular the large emerging economies, as well as uncertainty about the pace and the implications of the slowdown in China.

### The fleet

The world fleet grew by 3.5 per cent during the 12 months to 1 January 2015, the lowest annual growth rate in over a decade. In total, at the beginning of the year, the world's commercial fleet consisted of 89,464 vessels, with a total tonnage of 1.75 billion dwt. For the first time since the peak of the shipbuilding cycle, the average age of the world fleet increased slightly during 2014. Given the delivery of fewer newbuildings, combined with reduced scrapping activity, newer tonnage no longer compensated for the natural aging of the fleet.

Greece continues to be the largest ship-owning country, followed by Japan, China, Germany and Singapore. Together, the top five ship-owning countries control more than half of the world tonnage. Five of the top 10 ship-owning countries are from Asia, four are European and one is from the Americas.

The *Review of Maritime Transport* further illustrates the process of concentration in liner shipping. While the container-carrying capacity per provider per country tripled between 2004 and 2015, the average number of companies that provide services from/to each country's ports decreased by 29 per cent. Both trends illustrate two sides of the same coin: as ships get bigger and companies aim at achieving economies of scale, there remain fewer companies in individual markets.

New regulations require the shipping industry to invest in environmental technologies, covering issues such as emissions, waste, and ballast water treatment. Some of the investments are not only beneficial for the environment, but may also lead to longer-term cost savings, for example due to increased fuel efficiency.

Economic and regulatory incentives will continue to encourage individual owners to invest in modernizing their fleets. Unless older tonnage is demolished, this would lead to further global overcapacity, continuing the downward pressure on freight and charter rates. The interplay between more stringent environmental regulations and low freight and charter rates should encourage the further demolition of older vessels; this will not only help reduce the oversupply in the market, but also contribute to lowering the global environmental impact of shipping.

## Freight costs

Developing countries, especially in Africa and Oceania, pay 40 to 70 per cent more on average for the international transport of their imports than developed countries. The main reasons for this situation are to be found in these regions' trade imbalances, pending port and trade facilitation reforms, as well as lower trade volumes and shipping connectivity. There is potential for policymakers to partly remedy the situation through investments and reforms, especially in the regions' seaports, transit systems and customs administrations.

Container freight rates remained volatile throughout 2014 although with different trends on individual trade lanes. Market fundamentals have not changed significantly despite the expansion in global demand for container shipping. This was mainly due to pressure from the constant supply of vessels that the market rates continued to face, with the introduction of very large units on mainlane trades and the cascading effect on non-mainlanes trades. The tanker market, which encompasses the transportation of crude oil, refined petroleum products and chemicals, witnessed an equally volatile freight rate environment in 2014 and early 2015. The dry bulk market freight rates faced another challenging year influenced by the surplus capacity that still exists and the uncertainties in demand projections. Bulk carrier earnings fell 5 per cent from 2013 to reach an average of \$9,881 per day in 2014. The low level of earnings exerted financial pressure on owners and led to several companies filing for bankruptcy.

## Ports

Developing economies' share of world container port throughput increased marginally to approximately 71.9 per cent. This continues the trend of a gradual rise in developing countries' share of world container throughput. The increased share of world container throughput for developing countries reflects an increase in South–South trade.

The performance of ports and terminals is important because it affects a country's trade competitiveness. There are many determinants to port/terminal performance – labour relations, number and type of cargo handling equipment, quality of backhaul area, port access channel, land-side access and customs efficiency, as well as potential concessions

to international terminal operators. The world's largest terminal operator handled 65.4 million 20-foot equivalent units (TEUs) in 2014, an increase of 5.5 per cent over the previous year. Of this figure, 33.6 million TEUs related to its operations at the port of Singapore and 31.9 million TEUs from its international portfolio. Hutchison Port Holdings trust is the second largest international terminal operator by market share. With operations in China and Hong Kong, China, it is not as geographically diverse as some other international terminal operators. APM Terminals has a geographical presence in 39 countries. DP World is the most geographically diverse of the global terminal operators, with a network of more than 65 terminals spanning six continents.

The economic, environmental and social challenges facing ports include growing and concentrated traffic volumes brought about by ever-increasing ship size; the cost of adaptation of port and port hinterland infrastructure measures; a changing marketplace as a result of increased alliances between shipping lines; national budget constraints limiting the possibilities of public funding for transport infrastructure; volatility in energy prices, the new energy landscape and the transition to alternative fuels; the entry into force of stricter sulphur limits (in, for example, International Maritime Organization (IMO) emission control area (ECA) countries); increasing societal and environmental pressure; and potential changes in shipping routes from new or enlarged international passage ways.

## Legal and regulatory framework

In 2014, important regulatory developments in the field of transport and trade facilitation included the adoption of the International Code for Ships Operating in Polar Waters (Polar Code), expected to enter into force on 1 January 2017, as well as a range of regulatory developments relating to maritime and supply chain security and environmental issues.

To further strengthen the legal framework relating to ship-source air pollution and the reduction of greenhouse gas (GHG) emissions from international shipping, several regulatory measures were adopted at IMO, and the third IMO GHG Study 2014 was finalized. Also, guidelines for the development of the Inventory of Hazardous Materials required under the 2010 International Convention on Liability and Compensation for Damage in Connection with the Carriage of Hazardous and Noxious Substances by

Sea (HNS Convention) – which, however, is not yet in force – were adopted, and further progress was made with respect to technical matters related to ballast water management, ship recycling, and measures helping to prevent and combat pollution of the sea from oil and other harmful substances.

Continued enhancements were made to regulatory measures in the field of maritime and supply chain security and their implementation, including the issuance of a new version of the World Customs Organization (WCO) Framework of Standards to

Secure and Facilitate Global Trade (SAFE Framework) in June 2015, which includes a new pillar 3: “Customs-to-other government and inter-government agencies”. As regards suppression of maritime piracy and armed robbery, positive developments were noted in the waters off the coast of Somalia and the wider western Indian Ocean. However, concern remains about the seafarers still being held hostage. A downward trend of attacks in the Gulf of Guinea was also observed, indicating that international, regional and national efforts are beginning to take effect.

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