THE NUMBERS GAME

■ By Gary Ferrulli

AS SOMEONE WITH a pricing background from back in the days of mechanical calculators, numbers have always fascinated me. And the container shipping industry is loaded with them: financial reports, market reports, indices of many types and kinds, forecasts, transit times, moves per hour, market shares and more.

A few recent reports on numbers really caught my eye, perhaps none more so than the 114 percent jump in Asia-Europe spot rates at the beginning of the month — no doubt a welcome sight for carriers and a shock to the system for cargo interests.

Shippers, carriers and everyone in between must know the low rates dominating the market for the better part of a year can't last forever. The carriers have to start making money in order to continue to provide services. Is this the ideal time? Some numbers say yes: those contained in the carriers' financial reports for 2011. And some numbers say no: the supply-demand ratios on most major routes in the world. When is the ideal time?

WHAT'S THE BIG DEAL BETWEEN $1,500 AND $1,250? FOR MAERSK, THAT $250-PER-BOX DIFFERENCE ON THE 16 MILLION TEUS IT MOVED AMOUNTS TO MORE THAN $4 BILLION.

Let's focus a bit on the carrier financial returns for 2011. In general, they revealed a familiar pattern: rising volumes, falling rates and higher costs, the latter tied primarily to fuel. The results marked a reversal of 2010, when virtually all carriers made money, even a reasonable return.

The most striking turnaround was Maersk Line, where the difference between 2010 and 2011 was more than $2.5 billion to the negative. And who would have thought a company the size of CSAV could lose more than $1.2 billion in a year? The turnaround was also steep at Singapore's NOL and its APL container shipping unit, as were the results for Japanese carriers.

Still, all the carriers appear to have weathered the storm, some better than others. APM Terminals made as much as sister company Maersk Line lost. CSAV has a refinancing package that appears to have pulled it out of danger, for a while at least.

One surprise in the other direction was Hapag-Lloyd's report showing a profit last year, higher volumes and even an increasing global market share. The German carrier's numbers also showed a significant slashing of costs, with one report saying it did exceptionally well with fuel futures.

But the numbers that really jump off of the page are the carrier's rates: more than $1,500 per 20-foot equivalent container and virtually unchanged from 2010. While others reported significant reductions in their average TEU revenue from 2010 to 2011, Hapag-Lloyd did not. While others were in the $1,150- to $1,250-per-TEU range, Hapag-Lloyd was above $1,500. That's quite a feat in a year in which the carrier gained volume and market share.

So what's the big deal between $1,500 and $1,250? Well, for Maersk, that $250-per-box difference on the 16 million TEUs it moved last year amounts to more than $4 billion. For a carrier moving 3 million TEUs, the impact is $750 million. Those are huge numbers. How Hapag-Lloyd accomplished this is something I'd certainly like to know more about, but looking at financial reports won't get you there, because there's not enough granularity, not enough detail.

I hear another carrier, whose numbers I haven't seen yet, also will report a profit for 2011. I'm anxious to be able to view those numbers, make comparisons to the degree I can, and see if there is anything that explains the reasons behind them. I haven't been able to find those reasons in the past; the best I've come up with is comparing margins per TEU, because, although revenue and operating costs are apparent, there isn't enough detail to be able to make determinations on the real reasons.

I write this on the eve of the Trans-Pacific Maritime Conference, interested, as I'm sure many are, in seeing the numbers revealed there. A year ago, the feeling coming out of TPM was not positive, even though 2010 was a good year for carriers. Most believed carriers wouldn't control the supply-demand ratios as they did in 2010 and this would put pressure on rates. It sure did, and the results weren't good for carriers.

I get the same feeling this year, that most think 2012 will mirror 2011 for essentially the same reasons.

We'll see how the Asia-Europe market tolerates the 114 percent rate increase and a second round of increases carriers have announced, and how the trans-Pacific fares in its own rate increase test.

Numbers, numbers, numbers; there's so much more to them than what's printed on paper or in a report. JOC

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