

**GOVERNMENT OF INDIA
SHIPPING
LOK SABHA**

UNSTARRED QUESTION NO:4801
ANSWERED ON:26.04.2010
REDUCTION IN SEA FREIGHT CHARGES
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Will the Minister of SHIPPING be pleased to state:

- (a) whether the sea freight charges have seen drastic reduction during each of the last three years;
- (b) if so, the details thereof and the reasons therefor; and
- (c) the details of routes between countries affected as a result thereof?

Answer

MINISTER OF SHIPPING (SHRI G.K. VASAN)

(a) & (b): Due to global recession since second half of 2008, all the trade lines have seen a sharp decline in the sea freight rates.

The shipping demand is a derived demand and is dependent upon the trend in growth of world seaborne trade. The world seaborne trade which registered a growth of 4.0% in 2007 and 2.3% in 2008 had shown a decline of 3.4% in 2009. The collapse in key global financial markets since October, 2008 had a serious impact on shipping due to drastic reduction in trade and consequent fall in demand for shipping services

The dry bulk sector had felt the impact of the global financial crisis immediately. The average Baltic Exchange Capesize time charter rate which had peaked at \$233,988 daily in July, 2008 reached a low of \$ 2316 daily in December, 2008. This was a drop of 99% in just 6 months. The Baltic Dry Index (BDI) which had touched a historic low level of 715 in November, 2008 gradually picked up and the year 2009 ended with the index reaching at the level of 3000. In the first quarter of current year BDI hovered around at the same level of 3000. The container shipping also witnessed a subdued phase with a significant portion of the fleet idling. Tankers, on the other hand, had a good year in 2008 with earnings high enough to cover the costs. However, in 2009 the down turn finally set in, and the rates slipped to below cost levels, especially in the smaller vessel sizes.

With the global oil requirement projected to shrink at about 1.5% to 2%, coupled with increase in tanker capacity, a widening gap in demand and supply has been created.

The LPG sector too followed the same pattern with very large gas carriers recording a decline of 60% in time charter rates and increase in idling due to lack of cargoes.

(c): The depressed trends in the freight market are reported to have affected all the routes between the maritime countries.