Containers

Liners react to CMA CGM's preemptive spot move

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Many of the world's leading liners remain flat footed by last week's rate capping announcement from CMA CGM.

The Marseille-headquartered liner shocked fellow liners on Thursday by publicly announcing it will stop all spot rate increases through to the beginning of February. The liner said the preemptive move was designed to prioritise its long-term relationships with customers in the face of an "unprecedented situation" in the shipping industry.

The rates announcement will stand for all the group's brands including CNC, Containerships, Mercosul, ANL and APL.

Officials at HMM, Mediterranean Shipping Co (MSC), and Ocean Network Express (ONE) have all declined to comment on their own spot pricing arrangements in the wake of the CMA CGM announcement.

Hapag-Lloyd on the other hand said Friday it has also capped spot rates for a number of weeks, while an official at ZIM told *Splash* today that the Israeli carrier reviews its pricing issues on a regular basis.

New regulatory regimes are needed to ensure proper market functioning and stability

A spokesperson for Maersk, the world's largest containerline, told *Splash* today the carrier was determined to move towards a larger share of longer term contracts, which now has increased to around 60% of its total bookings.

A new shipping report from investment bank Jefferies suggested that although the CMA CGM move could be seen as a gesture of goodwill to its customers and regulators, it also likely means that CMA CGM's Q4 capacity is almost sold out, and the liner is encouraging customers to sign term contracts to lengthen the cycle instead of trying to maximise near-term profits.

"Regardless of rate caps, 4Q21 is set to be a record quarter for liners," analysts at Jefferies stressed.

Commenting via LinkedIn, Lars Jensen, CEO of container consultancy Vespucci Maritime, stated that CMA CGM's decision indicated the French liner looks like it will lean more towards contractual customers and customers with stronger pre-existing relationships.

"This will consequently be an advantage for customers with such relationships and a disadvantage for – typically smaller – customers who might have a preference for shopping around in the market to find the best transportation deals for each individual shipment," Jensen warned.

CMA CGM recently recorded a record EBIT of $3.81bn for the second quarter, firmly putting it on track to post its greatest ever annual results.

The extraordinary profits registered this year by global carriers, combined with dire schedule reliability, have brought the attention of global regulators.

"The current market situation is catastrophic – freight rates skyrocketed, yet predictability and reliability deteriorated to unthinkable levels. It is clear that new regulatory regimes are needed to ensure proper market functioning and stability," Sunny Ho, executive director of the Hong Kong Shippers' Council, told *Splash* today.