A skeptical industry watches for FastShip

The steamship industry is notorious for maintaining the status quo. Some people believe the industry steadfastly clings to best practices adopted by the ancient maritime pioneers, the Phoenicians. It is human nature to resist change, and technological change seems to bring out the naysayers in droves.

I wasn't present as ships replaced traditional sailing vessels, only to be replaced by ships powered by steam generated by coal and then by petroleum.

But it's a safe guess that these industry innovations were greeted with as much skepticism as that seems to hover over FastShip — a proposed vessel that would transit the Atlantic Ocean in fewer than four days. The ship's radical new design allows it to run at speeds of 35 knots, and unload and reload in a matter of hours.

Ingar Skaug, chief executive of Wallenius Wilhelmsen Lines, articulated the opinion of most industry leaders when he termed the project "ludicrous" due to the adverse economics.

He believes the ships will cost twice that of conventional vessels, consume fuel four or five times faster and incur maintenance that will "cost a fortune." Such high costs would lead to cargo rates three or four times greater than the current rate levels.

The FastShip project, which will combine new hull design with new propulsion, has been generating for years. Much like Microsoft Windows 2000, it has intended to ship for years, been delayed by problems and been subject to intense scrutiny by possible users and critics. Essentially, the issues to be resolved are technology, finance and economics.

Proponents claim that the introduction of such advanced technology to ocean shipping will be analogous to the jet engine being introduced to aviation.

Jet airliners had to contend with the danger that birds could get sucked into their engines and cause crashes. FastShip will have to negotiate the adverse weather of the North Atlantic. (Aviation historians may also remind us of early airliners that literally fell apart over the Atlantic.)

Many experienced seafarers maintain it will be impossible for FastShip to maintain 40-knot speeds in severe weather. Leading engineers have worked extensively on the design and a vessel classification society has given it preliminary approval. Until there have been actual vessels built, however, all of this is conjecture.

Then there is financing. Without investment there can be no construction. The new management team heading FastShip does not have maritime experience, but rather comes from the financial world. Backers have obviously been somewhat successful as they have enticed J.P. Morgan to join forces with them.

Financing for FastShip has been creative. The service is being sold as single port calls on either side of the Atlantic — certainly a trend in the industry. As vessels become more expensive to build and operate, it is only reasonable to minimize idle time consumed at ports. Up to now, the ports of Philadelphia and Cherbourg have never been considered load centers.

The seaport selection is no accident. Both ports are financial partners in this enterprise and have committed to significant financing.

Philadelphia has been an early backer of the plan — and hence is the designated U.S. port. Original plans for European ports were for Gothenburg, Sweden, and Zeebrugge, Belgium. These disappeared when financial commitments from the underlying customer, Volvo, failed to materialize.

Ports have long been accused of buying business, but these agreements take port marketing to a new level. It is noteworthy that these vessels will traverse the Atlantic Ocean at 40 knots, only to spend hours going up the Delaware River at considerably slower speed.

Economics and service are closely linked. FastShip is aiming for a market niche that is faster (and more expensive) than traditional ocean vessels, and slower (and cheaper) than air freight. Even assuming that financing and technology issues will be resolved, questions about the economics still remain.

Everyone today wants to avoid being stuck in the middle of any given market, yet FastShip seeks the middle ground between air and ocean transits. The real competition is air freight, not ocean.

Open Skies and new airliner design, however, have resulted in a great deal of trans-Atlantic capacity being added. If air freight rates continue to be depressed, the economic margin planned for FastShip 10 years ago may disappear.

If air rates continue to fall, FastShip could find itself, like many of its maritime brethren, pricing below average cost in order to attract business. (To its credit, FastShip has convinced several airfreight and ocean forwarders to commit to using the service if and when it is ready.)

FastShip is new technology, not only in terms of vessel design, but in the terminal design and vessel interface as well. But technological excellence is no guarantee of commercial success.

We will all be waiting to see if this endeavor prevails. The market has been teed up with hints of the FastShip revolution for years. It is time to see if it is for real.