

NEWSLETTER

2 – January 2011



Record profits expected for the carriers in 2010

According British consultant Drewry, shipping lines are heading for joint profit of us dollar 17 milliard for the year 2010. This is to be considered as a gigantic turn around compared to 2009 figures. During 2009 the total loss of all carriers was estimated to be us dollar 19.4 milliard. Nevertheless Drewry is warning the industry that 2011 will be much less bright then 2010.



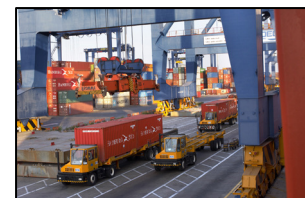
The Drewry report is much more optimistic in their prognoses then the one of it's French colleague Alphaliner. They estimated the total joint profit to be only us dollar 13 milliard during 2010 whereas they had a projected loss of us dollar 13 milliard for 2009. For 2011 Drewry has calculated that profits will go down with 50% again.



Drewry expects that rate levels will go down which will lead to the fact that overall joint profit will decrease to a level of us dollar 8 million. It is considered this level will be the maximum level achievable and the risk is existing that it will go further down as exploitation costs of the operators will rise.

Lloyd's List has added a 3th prognoses. BTI, BoxTrade Intelligence, a newcomer in the market consisting of consultants of MDS Transmodal and ex-top managers from the shipping industry, have predicted a joint profit for 2010 of us dollar 14.5 milliard. They estimate that turn over for the trade between Far East and Europe had increased up to us dollar 8.3 milliard during the 3th quarter of 2010. During 2009 the turn over in the 3th quarter was us dollar 4.9 milliard while during 2008 the turn over was us dollar 8.6 milliard for the same period.

However, as a result of the cost saving measures which have been drastically implemented by the carriers, the profit per teu went up to us dollar 324/teu in 2010. The profit in 2008 was only us dollar 124/teu and in 2009 a loss was suffered of us dollar 104/teu.



MSC challenging Maersk

Maersk Line is still the world's largest container shipping company, however Swiss MSC is closing the gap with the leading carrier quickly. Also the number three, CMA CGM, is growing faster than the Danish leader. The top 3 does not undergo any changes this year, but the differences between the three largest in the world has become smaller again.

Figures from the French database Alpha liner indicates that the capacity of the MSC fleet this year has increased by 22.7%. In eleven months 337,762 new slots were brought into service. No other company in the top 20 could claim this top position.

The Swiss carrier has grown much faster in 2010 than the Maersk group (4%), which only came to 82,285 new teu's. The growth of the Danish leader was mainly thanks to the start of the new AE8 service (additional 64,000 TEUs) in cooperation with CMA CGM, while MSC mainly increased thanks to thirteen new ultra large container ships (ULCS) from 13,000 to 14,000 TEUs, who were brought into service.

The times that the Danish "numero uno" was twice as large as the first pursuer, is over. Today, MSC is not only the fasters growing carrier for 2010, but also the company with the largest order book (487,286 teu). Maersk has presently only 345,496 slots under construction. These include another nine to ULCS of 13,092 teu which will be chartered and sixteen units of 7,450 teu for a brand new Latin American offensive.



For account of MSC there are thirteen more ULCS units from 13,000 to 14,000 teu under construction, all intended for the trade between Europe and the Far East. Ship owner Gianluigi Aponte feels that with only four loops (whereof two in Northern Europe) his market share is still too small in comparison with the other major carriers. With the intended order of new ships with a capacity of 18.000 teu, Maersk new build order book can overtake the one of MSC again.



18.000 TEU vessels in near future ??



According to sources within Germanische Lloyd 18.000 teu capacity vessels will become a reality within the next 12 months !! It is expected that Danish Maersk Line will be the first carrier to order this new type of container vessels since they have had the largest container vessel in their fleet since 1996. Earlier in 2010 there were already rumours of Maersk Line order vessels with capacities of 16.000 teu.

The Korean Economical Daily revealed recently that Maersk Line would place an order for 20 brand new container vessels for a value of us dollar 4 milliard. Since then speculations have been going on this order would involve 18.000 teu vessels. As a result these vessels would be longer and wider than the actual largest vessels type in service, the "Emma Maersk" and her seven sister vessels having a capacity of 14.770 teu.

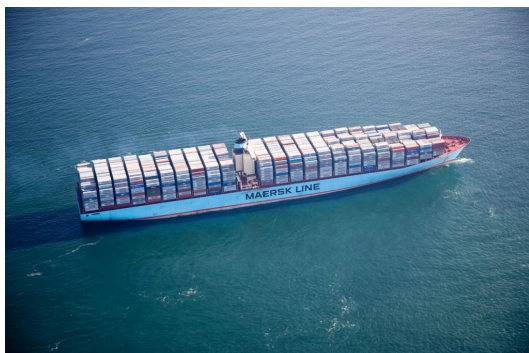
It is primarily the pricing of the vessels which has stimulated speculations it would involve larger vessels. Recently Evergreen ordered 8.000 teu vessels for an amount of us dollar 103 million per unit. The new price for the Maersk vessels would involve us dollar 200 million per vessel. This could only mean that the type of vessel which is considered will be much larger than the Evergreen one's and they will be equipped with the newest technologies.

It is not a surprise that Danish #1 container carrier is tipped to be the first to order 18.000 teu vessels. At present the Danish have only nine ULCS vessels under construction with a 13.092 teu capacity. It concerns vessels tonnage which they will charter on long term basis agreements with Zodiac Maritime and Rickmers Reederei.



Nevertheless Maersk Line is denying rumours that the order has already been confirmed although negotiations are proceeding with various South Korean wharfs. Mr. Soren Andersen, fleet director of Maersk Line confirmed it makes sense to order larger vessels since volumes will be peaking again. Over more, larger container vessels comply with a strategy to assist environmental issues. By spreading the fuel consumption and emission over a larger volume of container slots, the bunker costing is decreasing and the pollution becomes less per container.

The main limitation for further scaling is the fact that not all large units of 18,000 teu can have access to key ports. In Europe, this is for example a problem in Antwerp and Hamburg. Until recently, also the engine set up of the vessels was considered as a limiting factor. It was assumed that ships having a capacity of more than 15.000 teu would require a supplementary engine reflecting immediately at the costing of new build tonnage. However thanks to the actual applied "slow steaming concept" this is not longer considered as an argument.



German classification company Germanischer Lloyd expects that within the year orders for ships of 18,000 TEU will be placed. The designs are ready, said board member Dr. Klein. The new ships will be longer and wider.

The latter means that the port gantry cranes required for loading this type of ships will need to reach 24 container wide on deck. The Emma Maersk today has 22 rows wide on deck whereas the largest ships of MSC (14,028 teu) has 20 rows.

Yang Ming – Investment in new container equipment

Shipping Line Yang Ming will be investing 68.56 million us dollar in the purchase of new container equipment. The order concerns a volume of 30.000 teu which will all be delivered during 2011. Never before in their history Yang Ming Line has ordered this volume of equipment. It is targeted that the new volumes will be used in the trade between de United States and Europe where the carrier is expecting a growth of 9% in the near future.



Hapag Lloyd – Ready for stock exchange

The TUI concern, mainly active in the tourist sector, has obtained today 49.8% of the German shipping line Hapag Lloyd after compensating it's loans into shares. The other shareholder is the consortium of Albert Ballin carrying 50.2%.

The main issue today of the management of the carrier is to learn the timing of bringing part of Hapag Lloyd to the stock exchange and to which extend. After TUI had bought out the remaining private investors back in 2004 it announced that one third of the shares would become available at the stock exchange. However this idea proved soon to be unrealistic and was withdrawn quickly.

Two years later in 2006, TUI changed his opinion and declared that the container activities could not be separated from the other activities within the TUI-group. As it looks today, a new attempt to bring part of their shares to the stock exchange is being planned. The questions remains whether this planning will be realised now, and if positive when ?



Important factor will be the situation and fluctuations of the stock market, and thus the economical situation. Meantime, Hapag Lloyd is performing satisfactory with a turn over of 4.7 milliard euro during the first nine months of 2010.



www.levaco.be

Not the biggest but..fast..friendly..reliable..professional

Levaco NV Santvoortbeeklaan 25 2100 Antwerp-Deurne Belgium	Levaco Air - Antwerp Diksmuidelaan 210 2600 Antwerp Belgium	Levaco Air - Brussels Warehouse Saco/ Building 732 1932 Brucargo Belgium
Tel.: +32(0)3 205 29 40	Tel.: +32(0)3 366 61 40	Tel.: +32(0)2 513 96 07