



## **Inter Asia traffic competing with Asia/Europe volumes**

With CAFTA (China-ASEAN Free Trade Area) and the commitment of the governments concerned to improve their infrastructure, the trade between China and the expanded ASEAN countries will rapidly increase, stated Bronson Hsieh, vice chairman of Evergreen. This will, according to him, in conjunction with the deployment of larger vessels also lead to a rapid growth of maritime trade in the region.

According to the vice chairman of the group from Taiwan, a further liberalization of the intra-regional Asian markets is leading to more Inter ASIA trade. Possible this could lead to the busiest trade region in the world. This year the market has grown steadily thanks to the new free trade agreements in the region. It concerns the implementation of CAFTA, which in the first phase leads to large reductions in import duties applicable in trade between China and ASEAN members. The next phase will also include new members : Vietnam, Laos, Myanmar and Cambodia.



Mr. Hsieh stated that Inter Asia traffic will be the focus point of the container industry in future. Volumes between Asia and Europe have been vulnerable and variable whereas Inter Asia volumes were extremely stable throughout the economical and financial crisis. He furthermore declared that according to his opinion, the regional trade will further increase through the cascade-effect caused by the introduction of larger vessels capacities on the main trade lanes. Two hundred ULCS will be operational in 2013 causing the smaller ships to be diverted to other trade routes.

Before the maximum capacity of the vessels for the Inter Asia trade were having a capacity of 3.000 teu because of the entrance restrictions in many ports. Today panamax vessels are operation on six different routes in Asia. Furthermore local governments are supporting the development of their port infrastructure which will lead to an acceleration of the local volumes. Expansion of container terminals is considered a top priority.

Mr. Hsieh also referred to the public works who are connecting the ports with the hinterland and create land bridges. It concerns the Nanning Singapore Economic Corridor who has a distance of 5000 km over land and rail between Nanning in China and various cities in Vietnam, Laos, Cambodia, Thailand, Malaysia up to Singapore. These extensive works will take upto 2020 till 2025 to fully realised. Just three months ago another agreement has been signed for a rail-river system via the Mekong delta.



## **Giant container vessels over the last 15 years !!**

This is a short history of the Danish giant container vessels over the last 15 years.

It all starts in January 1996 when the "Regina Maersk" was baptized. The capacity of this vessel with 6.000 teu was no doubt much larger than his competitors of NYK (4.743 teu) and OOCL (4.950 teu). The figure of 6000 teu was calculated on the real capacity of the vessel taking into consideration a weight of 14 tons per teu. Meantime it has become clear that this vessel could load 7.403 teu under ideal circumstances with a combination of full, empty and light containers.

One year later, Maersk decided to built new vessels of the same type but longer. This was the foundation of the S-classed vessels with 6.600 teu. The first one in operation was the "Sovereign Maersk". In 1998 the new "P&O Nedlloyd Southampton" was born with 6.673 teu capacity. However in practice this vessel was 47 mtr. shorter then the Maersk vessel with the same width. In reality the capacity of the "Sovereign Maersk" was not 6.600 teu but around 8.200 teu.



Regina Maersk anno 1996

Meantime Maersk Line developed at their own shipping wharf in Odense a new type based on the S-classed type. In order to load more containers on deck the A- en G-classed type was launched being a little longer. The "Gudrun Maersk" became operational in 2005 and had an estimated capacity of 9.500 teu. At the same period, similar capacity vessels of MSC, CMA-CGM and Cosco came into service.

In June 2006 it was China Shipping who had the largest container vessel operational with the 9.580 teu capacity of the "Xin Los Angeles". However only few months later the "Emma Maersk" left for her maiden trip. At that stage, Maersk Line was still announcing the capacity would only be 11.000 teu however everyone today knows the vessel had a 14.770 teu capacity. The Maersk vessels was found also 31 mtrs longer and 5.20 mtr wider then the "MSC Danit" with a capacity of 14.028 teu.

### **Mol president warns for complacency**

Last years' results of Mitsui O.S.K lines where above expectations, announces group president Koichi Muto in his New Years message. But he warns for a position of complacency that could easily turn into the hot bed of a future crisis.



Mr. Koicho Muto

Koicho Muto was appointed president of MOL in June, two months after the company started the mid-term management plan 'Gear up ! MOL. At the time we were formulating the plan, the economy was still in an uncertain state following the Lehman Shock. Without tremendous effort, it would be a struggle to achieve the planned targets.

However, as it has turned out, we now project consolidated ordinary income for fiscal 2010, the first year of the plan, to be much higher than the planned target of JPY 100 billion, says Muto. A powerful positive factor driving this performance was the contribution from containerships, which improved considerably from an ordinary loss of JPY 56,8 billion for the full year of fiscal 2009 to an ordinary income of JPY 25,9 billion for the first half of fiscal 2010.

Koicho Muto also warns that there is businesses that has not been able to grasp the opportunity of improvements in operating performance such as the tanker business sector. There are many hurdles to clear on a track where we should keep running while gearing up to a faster pace. In the global economy, we are seeing the paths of the developed countries and the emerging countries diverging.



This year we expect many new ships to be delivered to the market, and it is difficult to feel relaxed about the maritime shipping market conditions when you consider the future supply and demand balance for ships.

This is the reason that this year MOL is placing particular emphasis on adding unique value through business intelligence adopted in the plan,

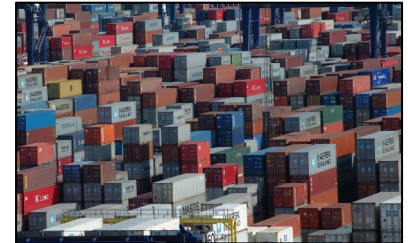
### **Overcapacity will last another year, predicts analyst**

Container shipping faces a tough 12 months as the world fleet grows and demand slackens. The global container shipping market will be affected by overcapacity for at least the next 12 months, according to one analyst.

AXS Alphaliner has warned that the global containership fleet will grow by an average annual rate of 8.7% over the next two years. It estimated 1.26 million teu would be added to the fleet in 2011 and 1.33 million teu in 2012. However, demand has already started to slow and the trend is expected to continue over the next year, said Alphaliner.

“Overcapacity in the containership market is expected to persist for at least one more year, with demand expected to slow significantly in 2011 to below 8% from the estimated 13.6% growth in 2010.

Furthermore the volume growth at the main container ports in Asia slowed in the fourth quarter of last year, with the slower growth rate expected to continue into 2011.



Alphaliner said throughput at the world’s five busiest container ports grew by an average of 18% in the first three quarters of 2010, but slowed to 8% in Q4. As a result, Alphaliner estimated vessel utilisation levels on the Far East-US and Far East-Europe routes fell to just 80% in December, the lowest level recorded since May 2009.

There has been a recent increase in vessel utilisation, with the Shanghai Shipping Exchange reporting that vessels on east-west services were sailing around 90% full, but this is likely to be a blip, caused by Chinese manufacturers rushing to get goods out of the country before factories closed for two weeks for the new year celebrations.

Last year, a total of 1.2 million teu was added to the fleet last year, but a large part of this new capacity was absorbed by increased demand caused by the rapid economic recovery.



### **MSC thinks big... but not that big**

MSC has no plans to follow in the footsteps of its Danish competitor Maersk Line, which is reportedly on the verge of ordering the biggest containerships the world has ever seen.

MSC chairman Gianluigi Aponte told *IFW's* sister publication, *Lloyd's List*, that the carrier had no intention of ordering 18,000teu malaccamax vessels. Aponte said he was only interested in ships up to 14,000teu and MSC has many of these scheduled for delivery over the next two years.

Maersk Line is reportedly close to signing a US\$2 billion contract for a series of 18,000teu vessels to be used on Asia-Europe trades, but which will only be able to call at a handful of ports. MSC already has seven 14,000teu ships in service, while one industry analyst suggested that another 14, of 12,500-14,000teu would join the fleet this year on Asia-Europe routes.

MSC is closing the gap on Maersk, which has the world’s largest fleet, after boosting its total capacity by 375,000teu to 1.9 million teu last year – a 25% increase. Maersk’s fleet grew by around 5%, to 2.2 million teu. Maersk Line operates 14.5% of the containership fleet, compared with 15% at the beginning of last year, while MSC has lifted its share to 12.6% from 10.9% a year ago. Aponte said: “For us, being number one is totally unimportant. What is important is to be profitable – highly profitable.”

Meanwhile, Hapag-Lloyd and CSAV have also shown confidence in the container shipping market by ordering new vessels. Hapag-Lloyd has ordered four 13,200 teu ships from Hyundai Heavy Industries and agreed that six new buildings, ordered at the beginning of 2008, should be upgraded from 8,750 teu to 13,200 teu. The 10 vessels are scheduled for delivery between mid-2012 and the end of 2013.

CSAV has ordered two 8,000 teu vessels from Samsung Heavy Industries that are scheduled for delivery between June and July 2012. The contract is reported to be worth \$180 million and contains options for more similar vessels. The line now has 13 vessels on order, including five 8,000 teu containerships.

