

# NEWSLETTER

# 4 – February 2011



## **China Shipping first ULCS maiden trip**

The 14,100 teu big "CSCL Star" of China Shipping Container Line is on her maiden trip. On February 21, the new build Ultra Large Container Ship will call for the first time in Rotterdam. The container giant took it's first containers this weekend aboard in Yang Shan (Shanghai).

After calling Ningbo, the "CSCL Star" only stops in Yantian and to load containers for Felixstowe, Hamburg and Rotterdam. For China Shipping, the "CSCL Star" is a new record ship. There are only eight ships in the world fleet even greater (the E Class Maersk Line). The Chinese ship is the first of a series of eight. This year five of the seven sister ships will come in service.

This new build vessel will be used in the AEX1 service, together with Evergreen. The Taiwanese company produces four ships of 8,073 to 10,062 TEU and China Shipping provides the other six units (including five from 8530 to 9580 TEU). Also, CMA CGM and Zim have an allocation to this service.



## **Hapag-Lloyd defends stand on 13,200 teu newbuilding order**



HAPAG-Lloyd's chief executive Michael Behrendt is confident that the line's order for 13,200 teu vessels will not create problems within the Grand Alliance. Even if the alliance-partners NYK and OOCL should decide not to order such large vessels, the German shipping line will still be capable to run the complete Asia-Europe loop by them selves, CEO Michael Behrendt says.

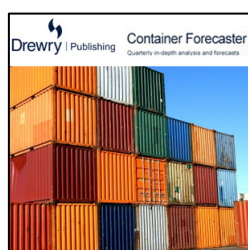
Last month, Hapag Lloyd announced that they will order 10 new 13.200teu vessels while partners NYK and OOCL will put smaller vessels in service. According to Michael Behrendt the Grand Alliance will not loose its competitiveness even if both partners should decide not to order larger vessels.

It is said that OOCL negotiates with shipbuilders for 13000teu vessels but they have not expressed their exact intentions yet. NYK on the other has announced they have no immediate intentions.

## **The New World Alliance reducing number of transpacific vessels**

Coinciding with the Lunar New Year celebrated in Asia next month, several major ocean carriers will be withdrawing capacity on the Transpacific.

Spokesmen for The New World Alliance (TNWA) – comprising APL, Hyundai Merchant Marine and Mitsui OSK Lines – noted that factory shutdowns during the holiday warrant the temporary carrier reduction. The announcement comes at a time when industry analysts are concerned about too much existing capacity in all trade lanes.



Drewry Shipping Consultants, Inc. in London believes that the industry has emerged from the global recession with both carrier profitability and demand figures recovering. But analysts questioned the attitude of the shipping lines by stating : "have the carriers learned from their past experiences ?"

The fact that no major companies "went to the wall" still seems to have insulated the industry from the despair of 2009 and there is now the feeling that perhaps the dark days did not happen," said Neil Dekker, editor of the Drewry Container Forecaster.

In essence, Drewry observes that global carriers are heading to back to normal operating conditions. Perhaps the biggest carriers are the happiest with no long-term profitability as long as they have a protected market share. However, the utopia of freight rate stability sought by shippers seems a long way off if carriers abandon their short-lived prudence and profitability," said Dekker.



Dekker cautions that just before the crucial contract re-negotiation period, carriers are passing any aces to their customers once again, but shippers maintain that they do not necessarily just want low rates – they also want a sufficiently reliable service. The Federal Maritime Commission is also suggesting that both parties talk to each other more, but unfortunately, it seems that some carriers are not necessarily hearing this message. It is also time for shippers to bring more detail information to the negotiating table and anecdotally we hear that this process is starting to happen, Dekker stated.

Donald Pisano, the newly-appointed chairman of the Ocean Transport Committee for National Industrial Transportation League, said his organization will also be monitoring the situation closely. "We would like to see continued momentum in freight policy reforms ensuring adequate vessel and equipment capacity to meet the transportation needs of our members".

### **Piracy remains at top of shipping agenda**

Piracy has remained at the top of the shipping agenda for all of 2010. Main concern is the piracy situation off the coast of Somalia but equally, as was expected the success there. The continued global economical downturn has also encouraged a growth in piracy in the Gulf of Guinea and the South China Seas.



Last year Bimco suggested that the problem ashore would not be resolved for some considerable time. This remains very clearly the case and indeed the precursor to defeating piracy, a robust and legitimate legal system with prisons and a coastguard, does not look remotely likely for at least another couple of years, says the shipping organisation.

Bimco also suggested there would be significantly more attacks into the NW Indian Ocean, the navies having successfully regained control of the Gulf of Aden and that the pirates would exploit the 'tyranny of distance' provided by the vast area of ocean to be patrolled.

This has occurred as expected. Furthermore, Bimco said that there was no effective military solution given the size of the area. The navies have successfully disrupted many pirate action groups only to release well over 70 % of them for a lack of ability to arrest and prosecute. Whilst the total number of attacks has declined, the numbers of crew kidnapped and ships hijacked has not. The pirates have had more success with less effort because the risk/reward ratio remains firmly in their favour in the NW Indian Ocean : there have been 140 attempted hijackings (November 2010) down from 217 in 2009.

It remains very clear that piracy off the coast of Somalia and in the whole of the NW Indian Ocean will continue to be a problem for the foreseeable future. The conundrum is to work out how to involve all stakeholders when many see potential solutions either disruptive to business or too costly; especially when many perceive that only governments can resolve the problem, whilst governments hide behind the excuse that the only real solution can be found ashore.



Bimco says it will continue to look for options and investigate all potential solutions to defeat and deter piracy. One simple solution often called for by some in the industry could involve dismantling the infrastructure of pirate gangs operating out of Somali ports but, this is a fraught military enterprise that no country wishes to become involved in.

It may well be that the concept of a CEP being run by a private company under strict tactical control of military and thus governments, but facilitated by the insurance industry, has more merit than is currently accepted. The principle of harnessing the critical mass of shipping traffic to provide cost effective mitigation of exposure to underwriters, which is reflected in what is known as the War Risks Additional Premium (WRAP) i.e. the application of funds already applied, could make this a cost neutral exercise.



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