



## **5.2 milliard us dollar losses for shipping industry in 2011**

Last year will be one the shipping operators are not likely to forget quickly in view of the catastrophically circumstances which lead to huge losses for the sector. According to UK maritime researchers Drewry it looks that 2012 is probably not bringing any improvements.

According to Drewry figures, the shipping lines have transported 6.5% more of container volumes. Nevertheless most of the carriers ended with losses at the end of the year. The total estimated loss calculated by Drewry would be amounting to us dollar 5.2 milliard. The year 2012 gives the impression that the situation could be worsening if the shipping operators do not withdraw vessels capacities from their services. All carriers are trying to operate their largest vessels available in order to reduce the slot costs.



Mainly the routes between Asia and Europe is the battle field of the carriers all looking for ventures and cooperation's for their existing loops in order to load their vessels to their maximum capacity. There is no shortage on ULCS class vessels. During 2012 the vessels type larger then 8.000 teu capacity will rise with 25%. This will be 'the' challenge for the shipping lines to operate these large vessels in an economical fragile environment. Specialist project that the container growth will be weakening to 5.4%.

Drewry states in their latest report they believe that tariff increase remains vulnerable in view of the overflow of vessels capacity. Spot tariffs have been increased at the beginning of 2012 however Drewry believes this is caused due to the production processes in China shortly before the Chinese New Year. Afterwards they will be forced to withdraw and anchor tonnage to turn the tide.



This could lead to cash flow problems for some of the shipping lines during the 2<sup>nd</sup> half of 2012. The analysts do not believe new larger and important take over's will be realised during this year. They estimate that some smaller players could be leaving the shipping theatre and disappear.

## **G6 Alliance cutting some Asian loops**

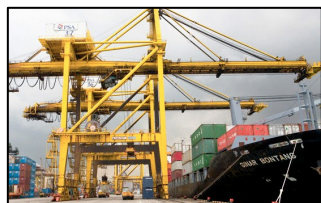
As a result of the cooperation between the six operators which created the new G6 Alliance, it is obvious that some of the sailing schedules are overlapping. As a result a drastic cut of some 22 ports will be cancelled from the various loops whereof 21 are situated in Asia.

Dutch consultants Dynamar have made the comparison between the loops of the present and previous sailing schedules of Hapag Lloyd, NYK, OOCL (Grand Alliance) and APL, Hyundai Merchant Marine and MOL (New World Alliance). There are present 105 port calls of the six carriers. The seven loops of the new G6 will have 83 calls per week. As such there is an important saving on port expenses and sea/dock pilots.



In Northern Europe the changes are minimal. Antwerp will be losing one loop whereas Rotterdam will receive an additional port call from six out of seven G6-services and will be called seven times per week. This since the 3th loop will make a double port call in Rotterdam. Also Le Havre and Southampton are losing one port call, but Hamburg will receive an extra loop. Together with the new sailings to Gdansk and Goteborg, this counts to 25 port calls per week in Northern Europe, which is one more than today.

The situation in Asia is however very different. Thirty percent of the present port calls will be stopped. Singapore is leading the pack with 14 loops per week, both east- and westbound. Hong Kong who performed 13 loops before, will be left with just four calls per week. The Japanese ports which are today served directly by NYK and MOL will be cut drastically since in the new G6 Alliance schedule schedules only one loop.



Also Kaohsiung with four loops today will be stuck with one only. After Singapore it will be Shenzhen who will receive the most port calls in the new G6 schedule with nine calls per week. Nevertheless this is three calls less than today. Two ports, Port Kelang and Fuzhou have been deleted from the new schedule. The only Asian ports receiving additional calls are Bussan, Dalian and Tianjin. Both Chinese ports are new destinations in the service.

Also the ports en route between Asia and Europe will have some important changes. Malaga will lose two sailings per week in favour of Tanger. Port Said and Jeddah will have one port call per week less.

### **Evergreen going steady**

According to Evergreen's CEO Mr. Chang Yung-fa the coming six months will be extremely difficult for the shipping industry. Nevertheless, Evergreen will not change its policy and continue to apply the strategy as before, according to his statement.

Mr. Chang stated that during the 40 years he has been active in liner business, the industry has always encountered many ups and downs. Although the market circumstances are not easy for the moment, Mr. Chang declared he was positive Evergreen would be able to maintain profitable. Finally the market will recover and business will get back to normal, he stated.



According to Mr. Chang, the debt crisis in the euro zone and the economical stand still in a number of countries will continue during Q1 and most probably also during Q2 of 2012. Evergreen is considered to be one of the few larger operators who decided not to change their fleet to ULCS type vessels. The carrier kept low profile in the period 2006/2008 while other shipping operators decided to start ordering new built vessels of the ULCS class.

During 2010 Evergreen had taken the decision to order and start building various 8.800 teu capacity vessels. It also decided not to participate the recent trend of carriers creating giant alliances like the MSC & CMA CGM joint venture and the new G6 Alliance in order to counter the Daily Maersk concept announced last year by global #1 carrier Maersk Line. Evergreen joint forces with the CKYH-Green Alliance, however without becoming part of the group.



### **Japanese shipping lines worried about 2010**

Recent press releases from top management of the Japanese carriers MOL, NYK and K-Line are quite pessimistic for 2012. They foresee a weak economical growth and a substantial overcapacity until end of the year.



Especially the substantial overcapacity and the uncertain economical situation in the USA and Europe are having a priority concern for the Japanese Lines. But they also referred to the tsunami, which hit Japan last year, and the water floods in Australia and Thailand which are circumstances who had a negative influence on last years results of the carriers.

The impact of the generation of new large container vessels will continue to increase this year. The best we can do is get ourselves prepared for vulnerable market circumstances and adapt our strategies to this situation, Mr. Koichi Moto, MOL's president declared.

The exchange rate of the Japanese yen and the high bunker costing is only worsening the situation, he continued. Mr. Moto believes this situation will remain unchanged till the end of 2013. After this period he hopes the excessive building of ships capacities in China will be reduced.



NYK's president, Mr. Yasumi Kudo feels there might be opportunities to take in developing countries. He believes the growth of the Asian region will be the key for survival for the West to compensate their eventual recession. According to Mr. Kudo's statement, NYK has stopped all of his new built programmes with the shipping yards. Also their chartering operations have been ceased.

He declared that it will be NYK's policy to remain focussed on "asset light" business like forwarding and logistics. K-Line's president Mr. Jiro Asakura stated he believes that growing economies like China will suffer from the economical situation in the euro zone and the USA. K-Line will apply a cautious policy towards the near future since it looks there is no immediate improvement to be expected for the shipping industry, with exception of the energy sector.

### **CSAV extending its cooperation with MSC**

Chilean shipping operator CSAV has ceased his ABS-service (Asia Black Sea Service) between the Far East and the Black Sea region. The stoppage of the loop is due to a wider understanding agreement between the Chilean carrier and MSC which was concluded in summer 2011.



For their service from the Far East to the Black Sea they will now be using slots on MSC's Tiger Service. The ABS-service was started between CSAV Norasia and Hapag Lloyd at the end of 2004. Three years after date, the German carrier decided to leave the cooperation and stop their Black Sea service. As a result of the cancellation of the ABS-loop, ten vessels with capacities between 4.800 and 5.300 teu become available in the charter market. MSC's vessels capacity of their Tiger Service is between 11.660 and 14.000 teu. CSAV will also have the facilities to use the Swiss carriers feeding connections in the east part of the Mediterranean beside the slot usage to the Black Sea.

