

Container industry back on track ??

2009 was the worst year in history for the container shipping industry. Global box trade fell by 9%, liner companies made some huge losses and vessel earnings remained at historical lows for most of the year. As a result, 2010 was approached with trepidation.

Freight rates had already started to turn upwards in 2H 2009 as liner companies removed capacity from service to stabilise their earnings, which had taken a dramatic hit during the global economic crisis. But this meant leaving over 10% of the fleet idle, and left vessel earnings and values depressed.



In early 2010, though, a rising freight market found an ally in the asset market. With potential buyers (at reduced asset prices) outnumbering actual sellers in 1H 2010, containership second-hand prices rose rapidly back to historical average levels. Over full year 2010, box ship prices increased on average by 75%.

Demand fundamentals also turned in early 2010 as most of the world's trade lanes resumed y-o-y growth. Despite some less than encouraging economic signals in the developed world, global container trade increased by 12,3 % back to almost 140m TEU beyond 2008 levels.

Rebounding trade volumes led to increased demand for capacity and soon liner companies were on the hunt for fresh tonnage. The charter market felt the benefit, and finally came to life after over a year in the doldrums. Average earnings rose by 45% in 2010. Suddenly everything was pointing in the right direction.

It didn't last long. Growing liner company demand also led to reactivation of most of the idle capacity. Alongside deliveries of 1.3 million TEU in 2010 (though limited by slippage) this led to freight rates softening once again. With such a substantial amount of very large Post-Panamax capacity (0.8m TEU) entering the fleet, surprisingly the most acute impact was felt away from the main lanes, as big ship deliveries caused extra capacity to be 'cascaded' onto the north-south and intraregional trades. Despite this, freight rates generally remain above the levels seen at the depth of the recession.



So, following the fallout of 2009, two out of three isn't so bad. 2010 ended with second-hand prices around historical average levels, and containership charter rates still on an upwards trend. Although the order book is still 28% of the fleet, with little capacity left to reactivate and continued trade growth forecast for 2011, at last the containership sector looks in better shape.

Hanjin fears for overcapacity this year

The South Korean company, while announcing its results for 2010, said they are worried about the growing overcapacity in the liner business. Therefore Hanjin will focus on cost savings and efficient fleet management. In order to ensure a steady stream of income Hanjin will focus on emerging markets.

The company announced a 2010- turnover of USD 8,1 billion (+44,0 %). They could realize a net profit of 229 million USD (against a phenomenal loss of USD 1 billion in 2009). In 2010, Hanjin carried 3,7 billion TEU, a growth of 15,1 %.



Next generation container vessels longer

Maersk's rumoured order for 18,000 TEU containerships could change the competitive landscape for the container carriers, with the new designs expected to breach existing vessel dimensions in a significant way.

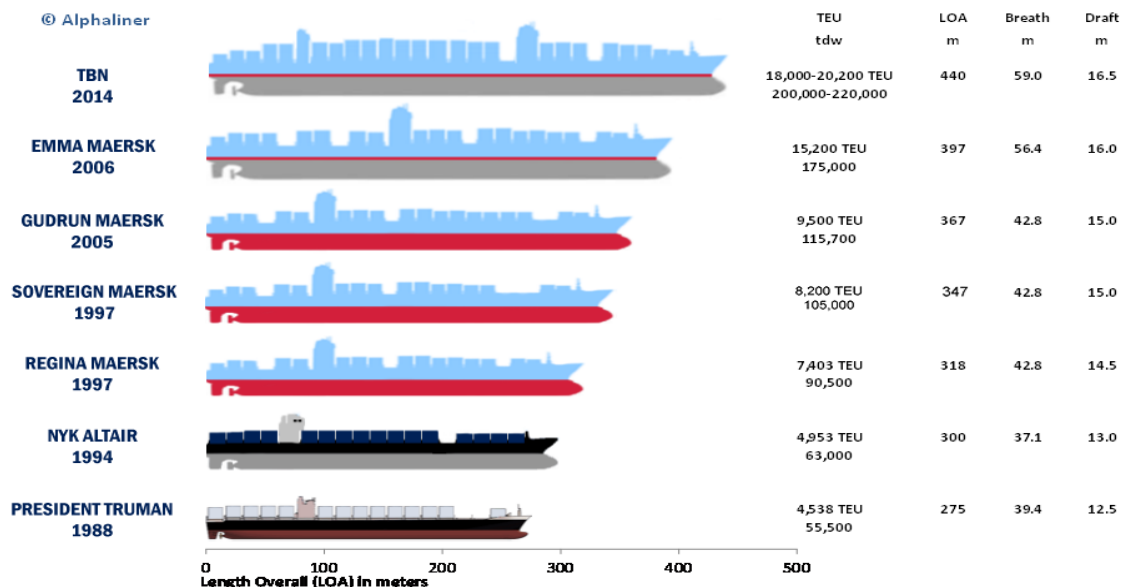
Currently, the largest containerships, Maersk Line's 'E'-class, can carry up to 15,200 TEU, based on Alphaliner's estimates. These ultra large container ships (ULCS) are too wide for the new Panama locks and can thus be qualified as neo-over-Panamax ULCS's.



Maersk Lines initiative has not remained isolated since four more carriers consisting of MSC, CMA CGM, CSCL and COSCO, have so far invested in the 13,800-15,200 TEU neo-over-Panamax ULC's, either owned or leased. Including the Maersk units, 58 such ships are either sailing or being constructed, according to Alphaliner records. All these ULC's are currently deployed on the Asia-Europe route, with no expectations to see them plying the transpacific route any time soon.

To these 58 ships must be added 110 very large container ships (VLCS) of 12,500-13,100 TEU of neo-Panamax dimensions (beam of up to 49m with Loa of up to 366m), which are capable of transiting the new Panama locks. The majority of these ships were ordered in a massive wave starting six months after the Panama Canal Authority officially unveiled the new Panamax gauge in October 2006.

After a lull of some two years in VL/ULCS's orders, carriers are now thinking about ordering big ships again. The imminent Maersk ULCS order is expected to trigger off a wave of new building contracts, even if most of carriers so far stated that they will steer clear from ordering vessels of above 14,000 TEU.





The current ULCS's of Maersk Line, MSC, CMA CGM and CSCL suggest that such ships can be fully utilized and their huge volume of boxes can be handled swiftly by appropriately designed terminals and by the well oiled logistics networks. Thus, projects for 18,000 TEU ships as rumored for Maersk Line appear to be viable, especially as the infrastructure exists to support them since most terminals handling the 22-row 'E'-class vessels can also handle 23-rows ships.

Alphaliner has conceptualized a model of the new ULCS design with a geometric intake of 9,000 FEU HC boxes, which have become the staple of the container trades. Based on this, the equivalent nominal capacity of such a vessel could reach 20,000 TEU.



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