

NEWSLETTER

wk 9 – February 2012



Tariff increase condemned to failure

Since March 2010, the container carriers have been trying to increase their tariffs nine times already. They were only one time successful, at the end of last year when a number of operators ceased some loops. Due to the combination with Chinese Lunar New Year the carriers succeeded to implement an average increase of 20% on their rates on their west bound trade lanes. Nevertheless the amount stays well below the carrier's intentions of applicable bunker surcharges.

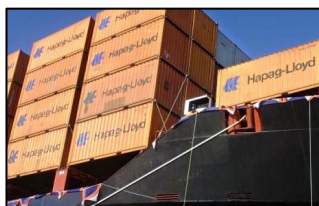
The present announced GRI, General Rate Increase, of us dollar 600 to 800 per teu which most container carriers are willing to implement as from March 1st, is the highest in the trade since October 2008 when the Conferences in Europe disappeared. French maritime analysts Alphaliner is very doubtful whether the shipping lines will be able to implement their intentional GRI as announced.



In practice it is expected that during the coming weeks and months, the container operators will face difficulties to load their vessels with more than 90% of their capacities. Normally carriers can only be successful implementing rate increases when their vessels are fully booked. Shippers have already protested heavily although they recognize the rates have reached bottom levels. They feel little doubtful with the present circumstances since all carriers are announcing at the same time similar GRI's which they feel is in contradiction with the European law on competition rules.

Alfred Ballin increasing shareholder ship in Hapag Lloyd

As expected the consortium Alfred Ballin has increased his shares in the German container operator from 61.6% to 78%. The capital increase required for this operation is mainly injected by the regional State of Hamburg. The seller, tourist group TUI as such is cashing euro 700 million for this sale operation. The transaction will be finalised by the end of June. After this date, TUI could sell his remaining 22% at the stock exchange or offer it to another buyer.



The main partners of the Alfred Ballin consortium are the state of Hamburg and Mr. Klaus-Michael Kühne. Hamburg is now investing another euro 420 million and as such becomes the largest individual owner with 36.9% of the shares. Klaus-Michael Kühne is investing a smaller amount resulting in the fact his ownership will be decreasing from 28.2% to 24.6%.

Hapag Lloyd's management reacted very positive towards the change of shareholder ship since their commitment with Hamburg is strengthened. According to statistics, Hapag Lloyd is, together with their Grand Alliance partners, good for handling 50% of the container volumes in the port of Hamburg. According to provisional results of the carrier in 2011, Hapag Lloyd should have been able to realize a small profit of euro 101 million. They carried 5.2 million teu, which is a bonus of plus 5.1% compared to 2010. The average freight rate carried decreased slightly to us dollar 1.532 per teu.

Maersk introduces extra trans-Atlantic loop

The cooperation between Maersk Line and the New World Alliance will be extended on the North Atlantic trade as expected. The Danish #1 will receive a slot allotment on the new service which the alliance will be starting soon. Today, Maersk Line is already having space allotments on the trans-Atlantic services of the New World Alliance (APX) because the members of the alliance, APL, Hyundai Merchant Marine and NOL also have allocations on the TA2 loop of Maersk Line.



The weekly Americas Europe express Service (AEE) will be the third service of the four carriers between the North of Europe and the United States. Five vessels will be employed with capacities of 4.250 teu between Rotterdam, Bremerhaven, Felixstowe, Newark, Charleston and Manzanillo. By using Panama's port as transshipment point, the New World Alliance is looking to connect the service with Latin American ports.



The first departure is scheduled for March 7th with the "MOL Destiny" from Rotterdam. According to the info from the Danish operator, the transit time till Newark will be eleven days. On the return voyage the transit will be only eight days since Rotterdam will become first port of discharge. The first eastbound departure will be performed by the "APL Indonesia" leaving Manzanillo on March 5th.

Maersk has been offering weekly services to the United States before, but ceased their TA3 loop in December 2009. Maersk will now commercialize the new service of the AEE loop under the name of TA5 since they are already using the TA4 name for their own liner services between Northern Europe and the Canadian ports of Halifax and Montreal.

Hyundai losing money in 2011 as expected.

Korean container operator, Hyundai Merchant Marine, has reported to have suffered a loss for their financial year 2011 amounting to us dollar 327 million. The reasons for the loss are the cost increases and the lower income due to the freight erosion.



In 2011, HMM was still able to write positive figures with a reported profit of us dollar 541 million. According to their statement, the turn over weakened with 9.9% to us dollar 6.4 milliard. Despite this negative announcement, Hyundai still achieved better results than the other Korean container operator Hanjin, which reported last week their losses amounting to us dollar 437 million.

According to the Koreans, the continued pressure on the bunker prices throughout 2011 caused a heavy substantial cost increase, whereas the overcapacity in the trade reflected on the applied rate level during 2011 which remained critical for the whole year. British analysts Drewry predicted an overall loss for the liner sector in 2011 amounting to us dollar 5.2 milliard.

Green Alliance and Evergreen apply capacity increase on the trans-Atlantic

Next month the CKYH Alliance and Evergreen will be replacing all of their vessels operating on the North Atlantic by tonnages with capacities of 60% plus. The Trans Atlantic Express (TAE) started in 2009 by the five Asian operators as a result of a restructuration of loops. At that time, Cosco, K-Line, Yang Ming and Hanjin joined the operations of their TAS1 loop together with Evergreens' trans-Atlantic NUE pendulum service.

The TAE-loop has been operated since then by two Evergreen vessels with 2.824 teu capacities and two similar units of Cosco and Hanjin. They are servicing in North Europe Antwerp, Bremerhaven, Rotterdam and Le Havre before sailing to the US where they make port calls at New York, Norfolk and Charleston. The "Cosco Nagoya" with 4.506 teu capacity will be joining the service on March 5th in Antwerp, thus replacing the chartered vessel "Louds Island" of 2.701 teu in the TEA loop.



One week later, Evergreen will replace the "Ital Ordine" for the maxipanamax "Santa Paola" with 5.046 teu capacity. The third and fourth ship in the service will be the "YM Vancouver" from Yang Ming with 4.253 teu and the "Hanjin Phoenix" with 4.367 teu. The increase of the capacity of the CKYH alliance and Evergreen will become effective more or less at the same time the new trans-Atlantic service of the New World Alliance, APL, Hyundai and MOL will take off at the end of the month. They will be employing five vessels each with 4.250 teu capacity.