NEWSLETTER

9 – March 2011

Pirates' third attempt to seize Maersk Alabama

Suspected Somali pirates tried to seize the Maersk Alabama again on Tuesday in the third attempt to hijack it in three years. Four people suspected of being pirates approached the ship in a skiff in which a hook ladder could be seen. When the skiff came within half a nautical mile, the ship's captain authorized the firing of warning shots.

"Maersk Alabama was approached by a suspicious skiff with four people and a ladder onboard," said Kevin Speers a spokesman for Maersk Line Limited, the U.S.-flag subsidiary of Denmark's Maersk Line."The captain followed the appropriate protocol and authorized an embarked security team to fire warning shots in order for the pirates to turn away. Shortly after, the small boat departed the area astern of the vessel," Speers said in a statement.

Tuesday's attempted hijacking was the third time pirates have tried to seize the U.S.-flag container ship. The first two attempts occurred in 2009. In the spring of 2009, pirates succeeded in boarding the 1,100-TEU containership, which was recaptured by the crew, which had been hiding in a safe room. Capt. Richard Phillips turned himself in to the pirates in exchange for one of his crew, but when the pirates reneged on a deal to free him in exchange for one of their men, U.S. Navy SEAL snipers killed two of his captors in a lifeboat where they were holding him. Pirates attacked the ship a second time later that fall, but were driven off by small-arms fire.

As a U.S.-flag and crewed vessel, the Maersk Alabama is able to carry U.S. food aid and other humanitarian cargo. The ship was westbound sailing toward Mombasa at the time of Tuesday's hi-jacking attempt, as it was in 2009. The Maersk Alabama, which was originally named the Alva Maersk when it was completed in a Taiwanese shipyard in 1998, was reflagged under the U.S. flag and is manned by an American crew because it is part of the U.S. Maritime Security Program, which is run by the Department of Transportation's Maritime Administration.

OOCL up to us dollar 841.6 million profit

Orient Overseas Container Line reported a profit of us dollar 841.6 million last year, after a loss of us dollar 376.9 million in 2009 and said it expects supply and demand to be near balance this year. The rebound in 2010 was "beyond all expectations," Chairman C.C. Tung said. "Unusually strong demand in the first half of 2010 and positive trading conditions throughout the remainder of the year saw our lifting volumes nearing 2008 levels."

OOCL's Hong Kong-based parent, Orient Overseas (International) Ltd., reported profit attributable to continuing operations of us dollar 1.87 billion, including a $1 billion profit from the sale of the company's China real estate unit. The sale left OOIL with net cash of us dollar 1.5 billion

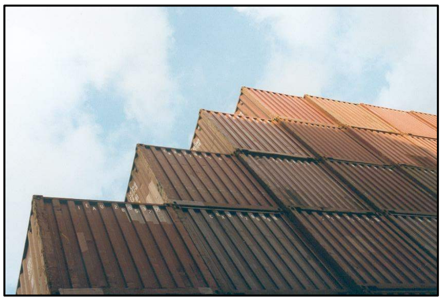
The company's container shipping company reported a 14.6 percent increase in lifting's to us dollar 4.8 million 20-foot equivalent units, and an increase to 81 percent from 74 percent in the carrier's vessel utilization rate. Average revenue per TEU rose 27.5 percent to us dollar 1,178. Volume and revenue increases during the last three quarters of 2010 were boosted by comparisons with weak recession levels of 2009.

"The immediate outlook for 2011 remains positive though the level of demand growth seen in 2010 on the east-west trades is unlikely to be repeated in 2011," Tung said. "While global economic growth in 2011 is likely to be muted, we do expect supply and demand to be in near balance. This should see a return to a normalized seasonal pattern in volumes and freight rates in 2011 compared to 2009 and 2010."

Near the end of 2010, OOCL ordered two 8,888-TEU vessels and now has eight ships of that size due for delivery. In an interview at The Journal of Commerce's Trans-Pacific Maritime Conference this month, Tung said OOCL expects soon to order additional ships with capacities of up to 13,000 TEU's.

Container shortage expected

Ocean carriers face a shortage of containers in the coming months as production of boxes lags growing cargo capacity, according to Alphaliner. The box-inventory-to-vessel capacity ratio will drop to 1.99 by the end of the year from 2.03 in 2010, the Paris-based analyst forecasts. This is the lowest ratio on record and compares with the capacity ratio of 2.99 boxes per slot in 2000.



Back haul shippers from the U.S. and Europe will be hit hardest by the box shortage as carriers will need to quickly return empty containers to high demand locations in Asia, Alphaliner said. Ocean carriers and freight forwarders are also predicting a shortage of boxes later in the year will drive up freight rates, mirroring the situation last summer when lines responded to a dearth of equipment by imposing peak season surcharges of up to us dollar 750 per 20-foot container on the Asia-Europe trade.

The box-to-slot ratio has been shrinking gradually over the past decade, partly reflecting the more efficient management of equipment by container lines, according to Alphaliner. Over the past decade the global inventory of containers grew 6.9 percent annually while the container ship fleet increased 11.1 percent per year. The box-slot ratio dropped significantly in 2009 as the financial crisis prompted carriers and leasing companies to cull older boxes as vessel utilization levels declined. Container manufacturers also ceased production of standard boxes in 2009 to focus on reefer and specialized equipment. The acute shortage of containers, particularly on routes from Asia to Europe, as global traffic rebounded prompted Maersk Line to start manufacturing new containers and re-activate laid up vessels to reposition empty boxes. The imbalance has stabilized since July, according to Alphaliner, as container manufacturers resumed production and carriers halted the scrapping of older equipment.

"The fall in [cargo] demand during the fourth quarter, following the end of the summer peak season, has also helped to bring back the balance." While carriers appear better prepared for the coming summer season, the surge in box prices would dampen additional orders for new containers.

The industry has to adapt — through faster turnaround of equipment, improved upkeep on old containers and extending the lifespan of boxes, Alphaliner said.

London insurers' finalizing armed patrol boat deal to fight pirates

British insurers are finalizing plans to set up a private fleet of armed patrol boats in the Gulf of Aden, in a new drive to stamp out Somali piracy. The naval protection force was conceived by leading figures in the Lloyd's of London market. They have been working with ship owners, freight operators and governments for months, marshalling support for their plan.

The goal of the Convoy Escort Programme is to provide protection for tankers trying to navigate the seas off war-torn Somalia while also reducing the soaring costs of insuring vessels, cargo and crews against increasingly vicious attacks by pirates.

Key representatives of the shipping industry, including the Baltic and International Maritime Council (Bimco) have agreed to explore the idea further. Giles Noakes, the chief maritime security officer of Bimco, said that he would be briefing American politicians in Washington on the plan next week.

It is understood that the industry-led project is being monitored by the Royal Navy and its counterparts. The Times understands that the Navy would regard the escorts as a trial which, if successful, would allow naval vessels to hunt pirates in other areas. If the fleet can secure funding and win the support of the shipping community, it could be up and running within six months. There are also plans to explore using former Nimrod maritime patrol air crews to provide aerial surveillance.

Success for the venture, which has tried to shun the "private navy" tag, would mark a gear change in international efforts to clamp down on piracy. Despite a successful recent intervention by the Royal Navy, the pirates have escalated their activities sharply in the past fortnight, seizing an oil tanker and its 125 million-pound cargo and killing two of its Filipino crew.

Under the plan, which has been developed over two years, a non-profit association involving private and public sector members would be set up. It would control a fleet of 18 vessels, each with a fixed gun position and an armed crew authorized to engage the pirates in battle.

Each vessel would carry eight armed security personnel and four additional crew as well as inflatable speedboats, known as "Ribs", which could be dispatched into combat if the tankers they were protecting came under attack. Although it would be managed separately, the fleet would be under the operational control of the relevant national navy and the crew would have to conform to international rules on combat and engagement.

One of the key architects of the CEP is Sean Woollerson, a partner in the marine, oil and gas division at Jardine Lloyd Thompson. Mr Woollerson estimates that the programme would need about us dollar 27.5 million to pay for 18 second-hand vessels, believed to be Swedish patrol boats. It is understood that the plan is to try to tap a us dollar 200 million anti-piracy fund managed by the EU.

CSAV expects losses

The new chairman of Chile's CSAV warned of "negative results" for the first quarter and said the company will seek a us dollar 500 million capital increase and to sell up to 49 percent of the company's ports and shipping services subsidiary.

CSAV said weakening freight rates and higher oil prices will affect first quarter results at the carrier, which has vaulted from 16th to seventh in capacity among the world's container lines since a us dollar 710 million financial rescue in early 2009.

The company said its plans for the capital infusion and an initial public offering for SAAM will boost the company's capital base, allowing CSAV "to confront the adverse market scenario in the best possible manner and to increase operational efficiency and boost the development of the company in the medium and long term.