NEWSLETTER

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Maersk line won't cut down speed

Maersk Line, the world's largest container shipping company, won't cut sailing speeds further to reduce fuel costs, even after oil prices jumped 15 percent this year, Chief Executive Officer Eivind Kolding said. "If we sail much slower, our customers may not be happy with the transit time," The higher oil price has not made it more likely for us to increase slow- steaming."

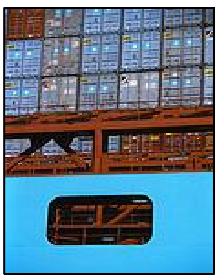
Nippon Yusen K.K., Asia's largest listed container line, may slow its vessels by an extra 10 percent after bunker prices jumped to the highest in more than two years, the Tokyo-based company said this week. Maersk Line, owned by A.P. Moeller- Maersk, will pass on fuel costs to clients and consider cutting speeds only under "extreme" conditions that would have to match the freight market collapse of 2009, Kolding said.

"We're making sure that our higher oil costs are being covered by the bunker fuel charges that we add to the freight rates," he said. "As long as we're covered via the surcharge, we won't slow down any further." Container vessels travelled at average speeds of 11.02 knots in February, 15 percent slower than two years earlier, according to global data compiled by Bloomberg. Maersk Line, which began slow-steaming in 2009, said on Feb. 23 that slower sailing reduced fuel consumption by 10 percent last year.

"With the slow speeds of today container lines are out at the end of the margin curve where going even slower gives fewer cost benefits," said Jacob Pedersen, an analyst with Aabenraa, Denmark-based Sydbank A/S. "The container industry is getting close to the point where slow-steaming has more to do with the freight market rates than with the fuel price." Ron Widdows, CEO of Singapore-based Neptune Orient Lines Ltd. said Feb. 16 the container industry may be able to slow more vessels to curb capacity amid weaker growth this year.

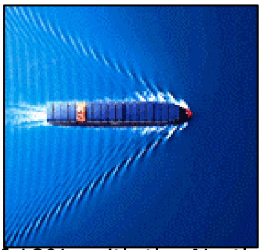
The U.S. Federal Maritime Commission said Feb. 7 it has started an inquiry into how slower container ship speeds are affecting freight rates and supply chains. The biggest container ships use about 300 metric tons of fuel a day at top speed and sailing 10 percent slower cuts fuel use by about 27 percent, according to London-based Drewry Shipping Consultants Ltd. Maersk Line won't increase speeds next time there's a shortage of capacity in the market, Kolding said. "That would send costs higher and ruin the environmental profile we have," he said. "So on average, we're on our top speed now."

How will Asia-Europe shipping lines absorb new capacity?



New figures released by analyst Box Trade Intelligence (BTI) predict that volumes on the trade will grow by around 8-9% this year, followed by 7-8% in 2012. But it is expected that peak season volume growth will be at a slower rate than full-year, expected to be 3-4% this year. This means shipping lines will need to carefully manage their tonnage to ensure the year is not affected by oversupply of vessels.

BTI said shipping lines could no longer absorb extra tonnage through slow-steaming strategies – as they did in 2009 and 2010. MD Doug Bannister said shipping lines could, potentially, introduce new direct services to high-growth regions to offset vessel deliveries. He added: "Slow-steaming has absorbed all the ships it can, and with over 40 large-capacity vessels scheduled for delivery in 2011 – the equivalent of four new services on the Asia-Europe route – it could be challenging to utilise this capacity."



Bannister suggested: "With impressive growth into Russia, one could wonder why direct deepsea-Baltic services are not more commonplace in 2011. "It would reduce costs of transhipment, improve products and absorb more of the mid-sized displaced ships – and potentially ease port congestion issues by requiring fewer feeder ship calls." Russian consumption of Asian imports posted an "impressive" growth rate of 38% in 2010, he added.

This is well ahead of the overall growth in westbound Asia-Europe volumes of 18%, with the North European countries of Germany, UK and the Netherlands all posing import gains of 18%. BTI also released its shipping line financial performance figures for the fourth quarter of last year. Asia-Europe carriers saw profits tail-off during Q4, delivering a total yield of us dollar 764 million, which was almost us dollr 1 billion down on the previous quarter, which included the peak season.

MSC's Aponte: 'focus on the motherships'

MSC's chairman Gianluigi Aponte has called for a warship to be stationed close to each pirate mother vessel and to take immediate action should any skiffs be launched. By deploying their limited resources that way, the naval forces should be able to "completely kill piracy", said Mr Aponte. "That would be the end of the story."

Rather than try to patrol the whole of the Indian Ocean as piracy attacks spread far from the Somali coast, navy ships would have a far greater success rate if they shadowed known mother vessels, according to Mr. Aponte who has publicly criticized the coalition forces for failing to adequately protect merchant ships from hijackings. A containership on charter to the line, the 1,700 teu MSC Panama, was seized late last year.

Since then, Mr Aponte has pressed for the navies operating in the region to provide secure corridors across the Indian Ocean and Gulf of Aden, but was told by senior military personnel that there were not enough warships available to offer that level of protection. By switching the focus of military attention to the mother ships themselves, "the pirates will be completely paralyzed", Mr Aponte told Lloyd's List.

OOCL to join the India / Pakistan - Europe service of CMA CGM

Orient Overseas Container Line (OOCL) is pleased to announce that it has come into an agreement with CMA CGM to join its India Pakistan Europe service (EPIC) by contributing one ship out of eight ships as from April 1 2011. OOCL will market the service as India Pakistan Europe service (IPE). The current service of CMA CGM will be upgraded and OOCL will be able to provide slots in the market from March 1, 2011.

The port rotation of the service is: Jebel Ali > Port Qasim > Nava Sheva > Mundra > Jeddah > Port Said > Malta > Tangiers > Southampton > Rotterdam > Hamburg > Antwerp > Le Havre > Port Said > Khor Fakkan > Jebel Ali, with a round voyage time of 56 days.

OOCL will now be able to offer a direct, comprehensive and reliable service to clients with extensive market coverage in the Middle East, India, Pakistan, as well as Mediterranean and North Europe. About OOCL.

Orient Overseas Container Line (OOCL) is a wholly-owned subsidiary of Hong Kong Stock Exchange listed Orient Overseas (International) Ltd. Headquartered in Hong Kong, OOCL is one of the world's leading container transport and logistics service providers, with more than 280 offices in 55 countries.

Linking Asia, Europe, North America, the Mediterranean, the Indian sub-continent, the Middle East and Australia/New Zealand, the company offers transportation services to all major east/west trading economies of the world. OOCL is one of the leading international carriers serving China, providing a full range of logistics and transportation services throughout the country. It is also an industry leader in the use of information technology and e-commerce to manage the entire cargo process.

German owners blast piracy re-route plan

German owners are angry over a proposal from the German national co-ordinator Hans-Joachim Otto that they stop using the Suez Canal to avoid pirates attacks, writes Patrick Hagen in Cologne.

Should the situation escalate further, it could also be an option to close the sea route through the Gulf of Aden to merchant ships, Mr Otto said. The shipping industry reacted angrily to this recommenddation, which they regard as being impracticable. "That would be the same as proposing to drive around the European motorways after some muggings of trucks have happened," said Ralf Nagel, managing director of the owners' association VDR.

The strained relationship between owners and the government is reaching a new low in this latest development. The proposal is part of an action plan that Mr Otto sent to owners last week and which has been reviewed by Lloyd's List.

The plan did not include armed sovereign forces on board merchant ships, which owners have been demanding. However, it stressed again that security of merchant ships was primarily a task for the shipping companies themselves.” This is just a way to win time and to do nothing," said one industry representative, who asked not to be named.

Mr Otto's paper asked VDR to produce an overview regarding the safety measures that were deployed in shipping, including their costs and effectiveness. In addition, the VDR was asked to find means to optimise these measures and inform ship-owners accordingly. For the shipping community this is a step backward. After a recent meeting with Mr Otto and government representatives, owners thought they were closer to their aim of convincing the government that armed officials were needed on their vessels.

They had even provided a proposal on how to solve the problem that ships could not easily enter every port with such guards on board. VDR suggested positioning mother ships at each end of the piracy-ridden area where guards could board and leave ships. Owners also said they would pay some of the costs. These proposals are not part of Mr Otto's plan, but it does include safety measures such as barbed wire, citadels, route planning or convoys.