NEWSLETTER
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Yang Ming back in the black

Yang Ming Marine Transport Corp, the Taiwanese second biggest container shipping line, saw both profit and revenue reach record highs in the third quarter on rising freight rates, higher transportation demand and effective cost-control measures.

Net income reached NT dollar 7.66 billion (us dollar 248.5 million) in the period from July to last month period, compared with a loss of NT dollar 3.77 billion a year earlier. That was higher than a profit of NT$2.69 billion it made in the previous three months, the company's data showed. Yang Ming released its first nine-month profit of NT dollar 10.38 billion at an investor conference yesterday. The Taipei-based company reported a net loss of NT dollar 10.71 -billion in the same period last year.

Earnings per share reached NT dollar 2.99 in the quarter and NT dollar 4.05 in the first three quarters, also record levels for the company, the data showed. Revenue in the quarter rose 82.95 percent to a record NT dollar 34.37 billion from NT dollar 18.78 billion a year ago and was up 29.4 percent from NT dollar 26.55 billion in the second quarter. In the first nine months, revenue totalled NT dollar 82.75 billion, up 53.91 percent from NT dollar 53.77 billion last year, Yang Ming said.

The company's quarterly results were in line with Credit Suisse analyst Sam Lee's forecast. The Hong Kong-based analyst said in a note ahead of the earnings result that higher transpacific freight rates starting from May would boost Yang Ming's revenue and profit in the third quarter.

Yang Ming chairman Frank Lu told investors yesterday that he expected the company to remain profitable in the current quarter — a traditionally slow season — on steady shipping demand.

SCI to add 110 vessels to fleet

The Shipping Corporation of India (SCI), have set ambitious plans to expand their fleet by 110 vessels at a cost of us dollar 6 billion within the next 10 years. The news was announced by Indian Shipping Minister Mr G.K Vasan in New Delhi yesterday, which would mean the fleet-size would increase by an impressive 140 percent. "SCI is likely to order 26 new vessels during fiscal 2011-12, and the planned fleet expansion will boost its total tonnage to about 7.2 million gross tons by 2020," Vasan said.

"Of these, five vessels have been delivered while the remaining ones are being built in different Chinese, South Korean and Indian shipyards," Vassan added. Vasan stated how within the company's previous five year plan dating from 2007 to 2011, they had only added 36 of the 62 vessels targeted. SCI is India's biggest shipping line, with 78 ships within its fleet and a further 69 in operation through government agencies.

Grand Alliance To Restructure Trans-Pacific Services

The three carrier members of the Grand Alliance plan to overhaul their trans-Pacific services to the U.S. West Coast in advance of the peak season. Hapag-Lloyd, NYK Line and OOCL said Thursday they plan to re-launch the Japan China Express, which they had suspended for the slack winter season.

At the same time they will restructure the Central China Express, South China Sea Express and the Super Shuttle Express.

As of May 15, the re-launched JCX will call Japanese ports covered by SCX and also will call Qingdao, which is currently called by CCX. In addition, the JCX will introduce a new direct call at Kwangyang on its eastbound leg. Since JCX is taking over the Qingdao call, the CCX schedule will be improved by concentrating coverage on Pusan and Central China. The SCX will provide a direct connection from Vietnam's Cai Mep to LA.

SSX will offer a super shuttle express to the market from South China and Hong Kong together with direct coverage in Fuzhou. The port rotations of JCX, CCX, SCX and SSX will be adjusted as follows on the dates listed :

As of May 15, the port rotation of the JCX service will be: Qingdao, Kwangyang, Kobe, Nagoya, Tokyo, Sendai, Los Angeles, Oakland, Tokyo, Nagoya, Kobe and back to Qingdao.

As of May 19, the CCX port rotation will be: Ningbo, Shanghai (Waigaoqiao), Shanghai (Yangshan), Pusan, Los Angeles, Oakland, Pusan and back to Ningbo.

As of May 8, the SCX port rotation will be: Laem Chabang, Singapore, Cai Mep, Kaohsiung, Los Angeles, Oakland, Kaohsiung, Shekou and back to Laem Chabang.

As of May 14, the SSX port rotation will be: Yantian, Shekou, Hong Kong, Long Beach, Kaohsiung, Fuzhou, Xiamen, Hong Kong and back to Yantian.

Bunker prices causing headaches to shipowners

Ship owners have one more thing to worry about in today's highly risky market conditions, the huge increase of bunker prices. Since the beginning of the year, worldwide bunker prices have risen 22% in step with increasing crude prices. The higher bunker prices continue to make up a larger and larger portion of the voyage revenues.

Thus, according to a new report, in the backdrop of lower freight rates and high bunker prices the industry is revisiting the topic of slow steaming to reduce bunker costs and consumption. At the current market rates, fuel costs make up over 55% of the freight revenue for a VLCC owner on the benchmark Arabian Gulf / Japan route.

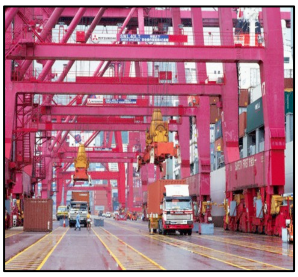
"The practice of slow steaming worked very well for the container industry which suffered dramatic operating losses during 2009. Liner companies were able to reduce speed, increase the number of vessels on a particular trade route and maintain their weekly sailing schedules while reducing costs and returning to profitability quickly.

Chinese ports moving forward strongly

International container shipping that started in 1966, when a container ship sailed from Port Elizabeth in the US to Rotterdam in the Netherlands, has come a long way. In the 1970s, only American and European ports dominated the scene and the port volume rankings would be shared by Oakland, Rotterdam, Seattle, Antwerp and Belfast. Singapore and Hong Kong were way down the ladder, and Chinese mainland ports barely registered their presence.

But as international goods and services grew stronger and global trade expanded exponentially, Singapore and Hong Kong steadily steamed their way to the top. Enormously to its credit, Singapore held the status of being the busiest port in the world from 1986.

Shanghai's transformation into the world's busiest container port is the result of China's economic boom and explosive growth of exports in the Yangtze River Delta. While Hong Kong used to be the only gateway to the Chinese mainland in the past — Shanghai, Ningbo and Shenzhen soon became the country's new gateways. With outsourced manufacturing to China rising to unprecedented levels, cargo coming in and out from northern and central China gradually started going through the mainland's ports in the Yangtze and Pearl River deltas instead of Hong Kong. China poured billions of dollars to improve facilities at Shanghai, Shenzhen, Qingdao, Ningbo, Tianjin, Guangzhou and elsewhere.



New deepwater ports and more and bigger berths began to free China from its reliance on foreign ports to ship its own goods. The Chinese government's priority to shore up its ports was clearly spelt out in its 11th Five Year Plan. It was part of the country's policy to support its massive economic growth. A strategy was charted out and huge funds were allocated. The theme of the whole plan was to transform Shanghai into a top-notch international shipping hub as well as the country's No 1 container port.

As China's cargo base grew, especially its manufacturing sector, demand for port and shipping services sector continued to fuel the expansion of port facilities along the coastal areas of the country. So much so that by 2009, five of the world's 10 largest ports were based on the Chinese mainland, according to Containerisation International's port traffi c data. But it is not all smooth sailing. As Chinese ports scramble to increase their container terminal handling capabilities, a lack of coordination between the ports has resulted in serious overcapacity problems and a wide disparity in tonnage handled by some of them.

A researcher at the China Ports Association, Meng Wenjun, says container port construction surged in the past decade, but many of the berths could not be filled as foreign trade dried up in the wake of the global financial crisis in mid-2008. According to a report on the operations related to containers, mineral ore, coal and crude oil, several ports are reporting lower container volumes and are saddled with overcapacity because global demand for Chinese goods dropped during the worldwide recession.

Veteran logistics analyst Charles de Trenck, however, has a different view. According to him, container port ranking does not tell the entire story. "In my view, Hong Kong and Shenzhen port (working in partnership) is No 1 and Shanghai and Ningbo port is No 2," says Trenck who runs a Hong Kong-based firm called Transport Trackers. "Nothing much has changed (on the Chinese port scene) with the exception that the leading partner in both of these relationships has relied more and more on the junior partner.

In the case of Hong Kong, Shenzhen will overtake and become the more senior partner in the coming years," he explains. Located in the southern region of the Pearl River Delta in China's Guangdong province, Shenzhen is one of the busiest and fastest growing ports in southern China and the economic hinterland for Hong Kong trade with the mainland. While many official port fi gures for 2010 have yet to be released, industry experts expect that the remaining ports in the top 10 are likely to be the same as in 2009, namely Busan, Guangzhou, Dubai, Ningbo-Zhoushan, Qingdao and Rotterdam.

"While the stimulation of domestic demand and investment has played an important role in reviving many economies, exports continue to be a major engine of growth in the region," says Ravi Ratnayake, director of Trade and Investment Division at UN Economic and Social Commission for Asia and the Pacific (ESCAP). "As a result, Asia's share in world exports continues to rise." According to the Asia-Pacific Trade and Investment Report 2010 released by ESCAP, exports are expected to grow at a robust rate of 10.5 percent in 2011, led by China. That explains why ports in Asia will continue to steam ahead of the rest of the world, spurred on by the "world factory" called China.

Evergreen, CSCL, ZIM to launch weekly Asia-Europe

Taiwan's Evergreen Line, China Shipping Container Lines (CSCL) and Israel's Zim have announced a weekly Asia-Europe service starting in late April. Called the CES2 by Evergreen and AEX2 by CSCL and Zim, the service will be operated with nine vessels with capacity in the 8,000-8,500 TEU range.

The ZIM Antwerp will start the 63-day voyage from Qingdao on April 24, calling at Shanghai, Ningbo, Xiamen, Shenzhen-Yantian, Tanjung Pelepas, Port Klang, Hamburg, Rotterdam, Antwerp, Tanjung Pelepas and back to Qingdao.

"The new service will add the ports of Xiamen in south China and Antwerp to enhance space availability for shippers using Asia-Europe services. The shippers will have a more complete Asia-Europe container transport network," said a joint statement from the carriers.

No stock exchange for Hapag Lloyd ??

TUI is negotiating with institutional investors from Oman and China about selling its shares in Hapag Lloyd, which greatly reduces the chance that the package will be offered to the stock exchange as it was announced before. According to various sources the holding company TUI is in advanced negotiations with the Omani State holding Onyx Investment company for the sale of their stake. Today TUI holds 38.4% of the Hapag Lloyd shares.

Also the Chinese logistics group HNA is having discussions with TUI and would be interested to have a stake in the German shipping company. According to TUI's information, the holding company has always stated that it wanted to sell their Hapag Lloyd interests to institutional investors or via the stock exchange market. However because of the unrest in the Middle East and falling freight rates it seems that an initial public offering - scheduled for the second quarter of this year – is becoming less attractive. Nevertheless this track is not forgotten and could be considered again in future.

Tui has sold already last March a part of its stake (11.3%) to the majority shareholder Albert Ballin consortium. This group, with Klaus Michael Kühne as the main partner, is now holding 61.6% of the shares. Mr. Kühne has previously strongly protested against the participation of NOL in the German company, because the Singaporean group is a competitor of Hapag Lloyd. Against a participation by Onyx, a long term investor without management intentions, he would reportedly have much less objections.

Cosco's first mega ships will be operational in NE1 service

The Chinese carrier Cosco takes receipt in June of their first ultra-large-container-ship (ulcs). The 'Cosco Glory' will be leaving on maiden voyage on June 19 in the NE1-service. Two weeks later followed by the sister vessel 'Cosco Pride'. The NE1-service is connecting Shanghai, Ningbo, Hong Kong and Nansha with Hambug, Rotterdam and Felixstowe.
On the return trip the vessels will be calling Singapore, Shanghai and Yantian.

The NE1-service is now scheduled of nine vessels with a capacity of 9,469 to 10,062 teu's. This year Cosco will employ a total of four ulcs vessels. Four sister ships will follow in 2012. As from April next year the Chinese company receives a second set of eight units of 13,350 teu capacity.