NEWSLETTER
15 – May 2011

CMA CGM has borrowed a further us dollar 945 million.

CMA CGM has borrowed a further us dollar 945 million through the sale of bonds, and it will be restructured for a second time within one year. The French carrier initially hoped to raise around us dollar 800 million, but because the requirements for the bond issue were to high, the initial offering was increased to us dollar 945 million.

The issue features us dollar 475 million dollar-denominated senior notes, with an interest rate of 8.5%, which are due to mature in 2017, and euro 325 million of euro-denominated notes, with an interest rate of 8.875% due in 2019. The procedures have been deposited into escrow, a holding account, subject to release upon conditions related to the company's restructuring. Upon successful release from escrow, the investments will be used to refinance existing debts and the secure the future developments of the group.

Rodolphe Saadé, Deputy General Manager of CMA CGM, said: "The market's warm welcome to our issuance of notes reveals the relevance of our strategy and the strong position we hold in the shipping market. "CMA CGM expects to enjoy a strengthened financial position on which the group will rely to continue its expansion. "We now envisage the future calmly and believe we will be able to focus on our future development and challenges."

In January, Turkish conglomerate the Yildirim Group finalised a deal to invest us dollar 500 million in CMA CGM in return for a 20% stake. CMA CGM was restructured following the investment.

Hapag-Lloyd loses first place despite growth of 15%

The ratios between the shipping lines that are active between North-Europe and the US changed last year. In accordance with the last US Global Container Report of the American PIERS, MSC has become the biggest carrier in container shipping between North-Europe and the United States.

The Swiss shipping company transported 291.000 teu last year to the US, resulting in an increase of 53% against 2009. From the US they transported 242.000 teu which is an increase of 65%.
Also the Independent Container Line (ICL) achieved very good results in 2010. This niche carrier from Richmond changed two of the four vessels deployed of 1.400 teu to bigger vessels of 2.470 teu. This explains the increase in volume to a level of 43% and is ranking ICL to seventh place today.

Where there are winners, there are always losers. Evergreen limited his capacity on this route already in 2009 because the results were disappointing and they draw back even more capacity last year.

This resulted in a decrease of the Taiwanese shipping company from fourth to eight place on the list of most important carriers in just two years time.

In 2009 Hapag-Lloyd was market leader due to the takeover of CP Ships at the end of 2005. After a decrease in volume of 15,2% in 2009, the German shipping company was able to recover the lost share. However this was still insufficient to keep up with MSC. Hapag-Lloyd was primarily good to the US with a growth of 30%, while the average market growth was only +14%.

The shipping company from Hamburg transported from the US only 3% more cargo while the market grew with 11%. In 2009 Maersk Line was in second place on the list of biggest shipping lines on this route. Now it was only able to ensure third place thanks to a further decrease of its volumes.

Outside the list of the eight most important shipping companies on this route that transported more than 100.000 teu, we noticed the growth of Hamburg Süd.

This shipping company closed a vessel sharing agreement with the Grand Alliance in March 2010 resulting in a westbound volume increase of 117% which means they transported 35.000 teu. In that direction Hamburg Süd is now after NYK the tenth biggest shipping line.

Rank	Carrier	Rank 2009	EU to US	US to EU	Total	Difference with 2009
1.	MSC	(2)	291.000	242.000	533.000	+58,6%
2.	Hapag Lloyd	(1)	238.000	235.000	473.000	+15,1%
3.	Maersk Line	(3)	147.000	1119.000	266.000	-11,6%
4.	APL	(5)	72.000	88.000	160.000	+4,6%
5.	OOCL	(4)	74.000	80.000	154.000	-1,3%
6.	ACL	(7)	81.000	61.000	142.000	+13.6%
7.	ICL	(8)	65.000	85.000	123.000	+43%
8.	Evergreen	(6)	53.000	54.000	107.000	-18,9%

Reefer operators look to capitalize on Japan trade

Japanese disaster could make the reefer market booming. After the tsunami the rates for reefers containers are continuously rising. Due to this unexpected boom, in the medium term, a number of reefer operators have already decided to increase their capacity. In the longer term this might be causing a serious increase in rates. The imbalance in the reefer traffic in the land of the Rising Sun (474,000 TEUs presently and only 35,000 out in 2010), makes that reefer operators' will charge for the costs for the repositioning of their containers.

In addition the increasing demand for refrigerated foods will make the reefer market to Japan explode. Although the news on this is received with mixed feelings , the production of pork meat fell with 15% (100,000 tonnes), due to the disaster .

If the demand for pork meat stays at the same level, the meat will be imported, which would give an additional 5000 containers to be shipped on a yearly basis. This shipping company closed a vessel sharing agreement with the Grand Alliance in March 2010 resulting in a westbound volume increase of 117% which means they transported 35.000 teu. In that direction Hamburg Süd is now after NYK the tenth biggest shipping line.

Grand China Shipping Line wants to become China's next top player.

After China Shipping and Cosco, a third Chinese player makes his appearance as a new container shipping line. Grand China Shipping has also planned to become an important player in the bulk shipping.

In the liner shipping, Cosco already stepped out of the shadows and became an important player. Cosco just took the fifth place of fleet capacity on the world ranking with 589.762 teu (the Chinese operator has still a long way ahead to pass the top three of Maersk, CMA and MSC). China Shipping has a capacity of 488.897 teu which is good for a tenth place in fleet capacity. It will take a long time before Grand China would be able to come up with this kind of numbers.

For the moment, the shipping line employs 23 container vessels with a total capacity 37.000 teu. With this fleet they are ranked 33th in the world of the container carriers. Jia Hongxiang, president of the Grand China Logistics Holding Group (which is a part of the HNA Group, that owns Hainan Air and which was recently tipped for a possible participation in Hapag-Lloyd), has however huge ambitions.

By their own shipyard, the group has already made 51 new orders. These orders relate to big bulkers and tankers, because Grand China does not only wants to limit themselves to container shipping. Against 2015 they want to be in the top three for the transportation of dry bulk. Jia is planning this in a global logistic strategy and the willingness of China to claim its rightful place in the shipping.

In the container sector it will not go that fast for Grand China Shipping. At the end of last week a first ship of the shipping line called the port of Long Beach. This is in the direction of the Super Pacific Express (SPX), the first service of the Chinese newcomer over the Pacific. The ship had a capacity of only 2.700 teu , but the name was already a program statement. The ship was called 'Red Strength'.

Conclusions on Intra Asia Trade

The Intra-Asia Trade is significant in volume and yet opaque. For our purposes, it is defined as the cargo flows between countries in North Asia, Greater China and South East Asia – excluding the Indian Subcontinent and Australasia. China is separated into three trading regions to better understand the dynamics of this very large market. While the trade impact of the tragic events in Japan are not yet fully recognized, we have identified a number of areas to assist in planning and decision making.

* The Intra-Asia Trade will be over 22 million TEU in 2012, achieving a 6.1% Compound Average Growth Rate (CAGR) from 2006 to 2012.
* Chinese exports will represent 35% of the trade in 2012, with a 12% CAGR.
* Intra-Asia Trade declined by 3.1% in 2009, led by a 19% drop in Japanese Exports. Recovery in 2010 saw trade growth of 15%.
* The recovery in Electrical Machinery, Telecom & Recording Equipment and Office Machines & ADP in 2010 does indicate economic recovery in the Asian economies with the high tech commodities rebounding.
* Japan is the 2nd largest trading country (after China) in the Intra -Asia Trade, representing 16% of the total Exports and 20% of the total Imports.
* There has been a steady rise in the average ship size, with the largest vessel strings belonging to major deep-sea container lines – we can expect continued service upgrades via capacity cascade.

Number of idle containership fleets drops to pre-crisis level

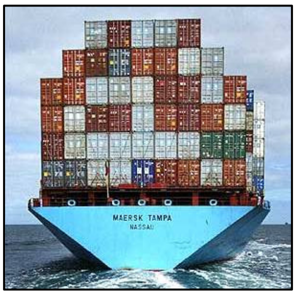
Only 71 containerships are currently unemployed, representing a 30-month low from the nearly 400 non-carrier-controlled and 200 carrier-controlled ships that were unemployed at the peak of the crisis.

IFW-net.com reports that a recent Alphaliner study found the lowest level of idle ships since September 2008, and that apart from a few damaged or old ships, "essentially the entire usable cellular fleet" controlled by carriers would be operating by the end of May. The supply of ships and the demand for water freight is "fairly balanced" at the moment, but declining freight rates may lead to a larger idle fleet later on.

The good news may not last long. Though the demand for containerships has been steady since last August, the rates on a number of important routes are not high enough for companies to break even. Increasing carrier losses could force companies to dock more ships by the end of the year. The website also reported that an analysis revealed that the revenues of many of the world's top transport and logistics companies had not yet recovered from the recession. Profit margins are still too low, and inflation adjusted revenue remains at or below 2006 levels.

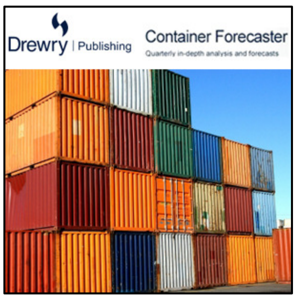
Container service reliability falls again

Container service reliability declined for the second quarter in a row in January-March 2011, according to Drewry Maritime Research's latest Schedule Reliability Insight report. The proportion of the 2,972 vessel calls arriving on time at selected ports around the world in the first quarter of 2011 fell to 51%, down from 55% in the fourth quarter of 2010. The 1Q11 reliability performance was only a percentage point improvement on the on-time score recorded in the same period of 2010.



Despite showing the biggest decrease, the transpacific trade remained the most reliable of the three major East-West routes. Reliability in the trans-pacific went from 64% in 4Q10 to 55% in 1Q11. By comparison, Asia/Europe/Med services dropped one point to 49%, while transatlantic services went from 55% to 52%. The decline in service reliability during the first quarter of 2011 mirrors the sharp fall in freight rates that lines have had to endure. The synchronisation of freight rates with reliability is something that has been evident since the first quarter of last year.

"Drewry cannot speculate whether carriers are consciously rewarding or punishing their customers with varying service quality dependent on prices, but it can be assumed that low rates reduce the incentive to deliver above-average service reliability. Compounding the problem, escalating fuel prices mean that carriers are probably less inclined right now to speed up if the ship falls behind schedule. The first quarter was punctuated with numerous service changes and additions. The tinkering of service networks does little to aid reliability in the short term.



Not for the first time, the report reveals a sizable gap between the best and worst-performing lines. Focusing on the Top 20 carriers (as ranked by vessel TEU capacity), which provide the bulk of the vessels tracked, the on-time difference between the leading carriers and the lowest-ranked carriers was in the region of 30 percentage points. Having led the major carriers in 10 of the previous 11 quarters, Maersk Line ceded the top spot this time around to CSAV. The Chilean carrier managed to improve its on-time percentage sharply to 69.1%, up from 45.5% in 4Q10.

Maersk's on-time average slipped from 70.2% to 66.4%, although this was still good enough for third place in the Top 20 rankings. Splitting the two was APL, which finished the quarter with an on-time average of 67.6%, little changed from 67.7% previously.

The lowest-ranked Top 20 carriers were CSCL (40.1%), UASC (39.8%) and Hanjin (38.8%). Only seven of the Top 20 container lines were able to equal or beat the 51% on-time industry average and only four bettered their scores from the previous quarter. The most improved carriers were CSAV (up by 23.6%), Hamburg Süd (+11.0%), MSC (+6.6%) and Evergreen (+0.8&).

Those that suffered the biggest declines were UASC (down by 17.2%), OOCL (-13.1%) and Hyundai Merchant Marine (-11.6). Drewry has been monitoring container service reliability since the end of 2005. Historically, industry averages have ranged between 50-60% with a high of 68% (2Q09) and low of 46% (1Q07).

APMM launches new shortsea container carrier, Seago Line

AP Møller-Maersk has launched a new short sea container shipping line to cater for the intra-Europe trades. Maersk Line and sister carrier Safmarine's country organisations will transfer their intra-Europe business to Seago Line by the end of next month.

It appears that Seago Line will operate as a separate sister carrier to Maersk Line and Safmarine and also act as a feeder operator f or deep-sea carriers. It will be represented in more than 25 countries and will have its headquarters in Copenhagen.

"Seago Line will focus on the short hauls in the intra-Europe trade and will aim at providing flexibility and ease of business at competitive prices," it said. The line said process and documentation will be fast, and vessel operations would allow for "the more frequent changes to schedules expected in this market". According to reports, the new operator has been set up to boost Maersk's share of the European short sea market, with a goal of increasing the Maersk group's container business market share from 6% to 15%.

Maersk currently operates feeder services from Northern Europe to Baltic and Scandinavian ports, from the Western Mediterranean and Portugal to Algeciras and from Gioia Tauro, Italy, to the Eastern Mediterranean and Black Sea. Seago looks set to be headed-up by Jakob Bomholt, although no details have been confirmed yet.