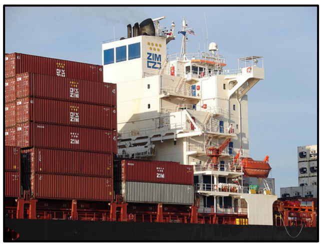
NEWSLETTER
18 – June 2011

Zim narrows loss



Israeli container carrier shrinks his first quarter loss to us dollar 24 million as rates rise, volume grows. Zim Integrated Shipping Services announced a sharply lower first quarter operating loss of us dollar 24 million against us dollar 83 million a year ago, driven by higher freight rates and increased cargo volumes. The Israeli ocean carrier boosted revenue 22 percent to us dollar 912 million in the three months to March 31 from us dollar 745 million in the same quarter in 2010. Traffic increased 9 percent to 555,000 20-foot equivalent units from 509,000 teu's while the average freight rate jumped to us dollar 1,360 from us dollar 1,200.

Zim, which came close to collapse during the downturn, said the results in what was a seasonally slack quarter, are " very close" to the average in the liner shipping industry compared with previous quarters when they were "significantly lower" than the industry average. The carrier booked a net loss of us dollar 111 million, mainly the result of accounting expenses of us dollar 70 million due to the re-evaluation of certain derivatives related to its financial restructuring.

Excluding this expense the net loss in the quarter narrowed to us dollar 41 million. Zim, the world's 17th largest carrier, said it is continuing to implement organizational and strategic changes outlined in its 2010 restructuring. The carrier, a unit of Israel Corp., said it is "currently in the midst of a move, which the company's management believes, will bring about a continued improvement ... in results."

Zim booked a net profit of us dollar 54 million in 2010 compared with a year earlier loss of us dollar 432 million on revenue of us dollar 43.7 billion.

Maersk leaving Gioia Tauro

Carrier's services will cease at southern Italian hub in July according to a statement of Maersk Line. The Danish carrier is pulling out of Gioia Tauro, dealing a major blow to the troubled southern Italian port's role as the Mediterranean's leading ocean container transshipment hub. The carrier will cease transshipment services in July, reducing its presence in Gioia Tauro to a single feeder link to the North West Italian port of Genoa.

"Maersk Line can confirm that its Asia-Europe services will cease calling Gioia Tauro by early July," said Maersk spokesman Michael Christian Storgaard. "In effect this means that Gioia Tauro no longer will be used as a transshipment hub in Maersk Line's global network."

Maersk will transship Asian containers bound for the Central Mediterranean at CMA CGM's Malta terminal where it will "leverage" its vessel sharing agreement with the French carrier.Asian cargo for the fast-growing East Mediterranean market, particularly Turkey and the Black Sea, will switch to the Suez Canal Container Terminal in Port Said, Egypt, a "more convenient" location that has greatly increased its transshipment traffic in recent years.

Storgaard said the decision to quit Gioia Tauro was driven by Maersk's continuous effort to optimize its service network to ensure cost effective and competitive operations.Hinting at further changes in its network, Storgaard said Maersk is "constantly looking for more attractive products and costs reductions to adapt to market dynamics" in other places in the Mediterranean. Maersk is Gioia Tauro's biggest customer, accounting for approximately 25 percent of its container traffic, which totaled 2.85 million 20-equivalent units in 2010.

Terminal workers held a sit-in on Friday outside the offices of Medcenter, the company that operates Gioia Tauro's container terminal. Unions say up to a quarter of the 3,000 direct and indirect jobs at Gioia Tauro will be lost when Maersk pulls its transshipment services.

Maersk's sister company, APM Terminals, owns 33 percent of Medcenter, with the remainder held by Contship Italia, the Italian port terminal operator. Maersk's decision to quit Gioia Tauro hit the port community "like a tsunami," Il Sole 24 Ore, the Italian business daily said. Maersk's move comes as Gioia Tauro, which has been plagued by labor problems, low productivity and allegations of mafia infiltration, is staging a comeback – first quarter container traffic rose to 969,000 teu's from 865,000 teu's in the first three months of 2010.

Hanjin facing difficult times as losses grow

South Korean carrier's Hanjin's revenue went up with 19 percent on 15.6 percent volume gain but nevertheless the carrier lost us dollar 28 million on container operations in the first quarter, compared with us dollar 23 million a year earlier, as rising fuel costs offset a 19 percent increase in container revenue.

The South Korean carrier's net loss for the quarter narrowed to us dollar 97 million from us dollar 111 million a year earlier. Revenue rose 16.9 percent to us dollar 1.967 billion. Hanjin's container losses eclipsed a us dollar 17 million profit on bulk shipping, producing an overall first quarter operating loss for the South Korean carrier of us dollar 11 million. Container revenue rose 19 percent to us dollar 1.6 billion. Container cargo volume rose 15.6 percent to 945,301 20-foot-equivalent units. Bulk revenue rose 8.3 percent as cargo volume rose 26.2 percent. Container volume increased 22.7 percent in the trans-Pacific westbound market.

Total volume increased 23.3 percent in the Asia-Europe trade and 39.1 percent on intra-Asia routes. However, revenue was hurt by declining Asia-Europe rates and increased fuel and logistics costs, the company said. Hanjin said that despite the gradual recovery of the global economy and the approach of the annual peak season, it was concerned about weak U.S. markets, increased east-west capacity and rising oil prices. The carrier said it plans "extensive cost-cutting measures" to offset the impact of rising capacity and oil prices.

DP World shares start trading on London Stock Exchange

The shares of DP World were listed Wednesday morning on the London Stock Exchange's main market for listed securities. Selling in London aimed at boosting liquidity in terminal operator stock

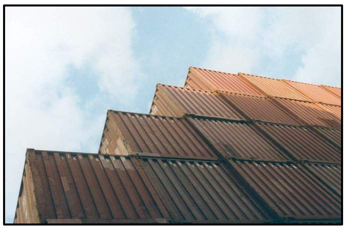
The Dubai-based terminal operator said no new capital was raised as part of the listing, but its goal is to provide an additional platform to invest in DP World shares to help attract a broader range of investors. he company raised nearly us dollar 5 billion in an initial public offering in November 2007 but trading in the shares has been light since then.

The operator put 830 million ordinary shares onto the exchange and trading opened at about us dollar 13.60 a share. DP World shares will also continue to trade under DP World's existing listing on Nasdaq Dubai with its shares being fully interchangeable across both exchanges. DP World's 49 operational terminals boosted first quarter traffic by 12 percent from a year ago to 12.6 million 20-foot equivalent units.

1.6 million new container teus ordered during 2010 ...

Container lessors spent an estimated us dollar 4 billion to acquire more than 1.6 million 20-foot equivalent units last year, according to the Institute of International Container Lessors. IICL says carriers are relying more heavily on leased boxes

Still recovering from more than us dollar 15 billion in losses in 2009, ocean carriers have relied more heavily on lessors for boxes needed to handle rising cargo demand. Ship lines' container fleets are traditionally divided as equally as possible between leased and owned boxes. The leased-owned ratio rose to about 3-to-2 last year, when an estimated 2.75 million TEUs of new containers were put into service.



The 1.6 million TEUs that leasing companies provided last year was on par with 2007 when production of new boxes hit a record 4.2 million teu's. "While many of the ocean carriers, the primary providers of containers in international trades, were concentrating their efforts on their core service activities, they turned to the international container leasing companies to source a significant portion of their container needs," said IICL President Stephen R. Blust.

IICL said it expects up to 3.5 million TEUs to be produced this year to meet carriers' growth requirements and replace equipment that is retired. Production in 2012 is estimated at 4.3 million TEUs by Containerisation International's most recent Container Leasing Market Report. IICL members represent companies that own or control more than 90 percent of leased containers.