

NEWSLETTER

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PIL and Wan Hai consider withdrawing from Far East Trade

Asian carriers PIL and Wan Hai are close of withdrawing together from the Far East Europe Service (FES) between the Far East and Northern Europe. Presently both carriers have only decided that four of their ships which needed to load in June Asia will not be directed back to Europe. They will be deployed elsewhere where they yield a higher return, or go into dry dock.



Pacific International Lines from Singapore and their Taiwanese partner Wan Hai Lines will not withdraw fully from the service. For each of the four departures scheduled in June they have made a slotcharter agreement with Cosco. The Chinese carrier is part of the CKYH Alliance and will carry the volumes on their NE-3 service. Perhaps there will be made some extra slots available on the NE-1 service from the same alliance.

Whether PIL and Wan Hai will sail again with self owned tonnage as from July, will reportedly depend on the success of the planned tariff increases in the Far East. The probability seems high that the final charter agreement with Cosco will be extended. Both carriers started their joined service in April 2004. At the end of 2008 the service was stopped due to the global economical crises. At that time an agreement was made with the same partner, Cosco on their CNEU-service.

When last year traffic was increasing again, PIL and Wan Hai restarted their service immediately. Both carriers delivered four vessels with a capacity of 4.252 teu's for weekly departures from Shanghai, Ningbo, Hong Kong, Shekou, Nansha, Singapore and Port Kelang to three European ports being Rotterdam, Hamburg and Antwerp. Due to the application of slow steaming the ninth ship joined the service.



The NE3-service from Cosco is using 10 vessels and is serving the same three European ports plus Felixstowe. The Asian rotation includes port calls at Nansha, Hong Kong, Xingang, Dalian, Qingdao, Ningbo, Yantian and Singapore. In the near future the capacity of this service will be increased. Presently the Cosco vessels have capacities between 8.400 and 10.062 teu's, however the Chinese carrier has decided to employ his ultra large container ships (ULCS) with 13.092 teu's capacity on this route.

When PIL and Wan Hai would decide to withdraw definitely from the Far East / Europe trade, the smallest vessels on this trade lane will disappear. Both of them were still using Panamax vessels whereas Cosco will be the 6th container carrier using ULCS vessels. Only ZIM Lines is still using 3.429 teu's vessels for his AME-service, but this service is nearly loading only containers from Northern Europe to the Mediterranean. Open slots in this region are then reloaded to Far East.

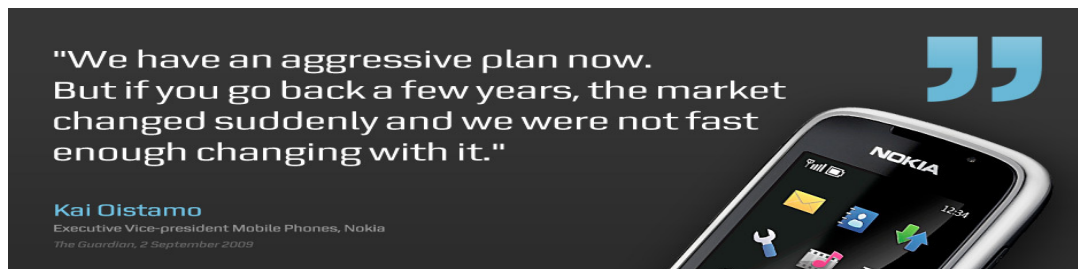
Maersk Line CEO urges radical changes

Maersk Line CEO Eivind Kolding, says container shipping is only a few years from being completely overtaken by new technology, using the pulpit of the world's largest container shipping line.



He urges broad changes in the industry's practices saying the business must embrace radical changes to "assure itself of a license to operate in the future." Kolding did not specify details of the changes needed, calling instead for a broader dialogue among everyone involved in international ocean-based supply chains on fundamental shifts in services and business practices.

Citing the example of Apple, which captured the personal music player and mobile phone markets from established but unprepared industry players, Kolding warned container for the risks to come. The market and customer behavior is forcing companies not to lose sight of what customers really want – including needs they are not even aware of, Kolding stated.



The industry "is on the brink of another era-defining moment: whether we continue with entrenched habits or rediscover the desire and capacity for innovation and change," he said. Kolding explained that Maersk has identified three areas it believes will meet future customer demands – unmatched reliability, ease of business and best environmental performance.

The head of the world's largest ocean container carrier urged the industry to join forces to meet key targets. "What if we could guarantee that cargo would be on time, every time? What if placing a shipping order was as easy as buying an airline ticket? What if the shipping industry was known for beating environmental expectations – not struggling to meet them?" Kolding said. "No more battles on rates," he said. "Instead shipping lines should be giving customers what they really want." Maersk has set up a campaign site – changingthewaywethinkaboutshipping.com – to host debate on the future of the industry.

Armed guards on ships

The UN's International Maritime Organization (IMO) is issuing guidelines on the use of private armed guards to protect ships from piracy. This comes after a meeting in London which discussed the use of guards on board ships in areas of high risk, including in the Indian Ocean. About one in 10 ships off the Somali coast already carry armed guards.



But observers say this number is now likely to rise. The IMO says there were 489 reports of piracy and armed robbery against ships in 2010 - up more than 20% on 2009. The areas worst affected were the Indian Ocean, East Africa and the Far East including the South China Sea, South America and the Caribbean. So far this year more than 200 cases have been reported.

Correspondents say piracy in the Indian Ocean is getting more lucrative and more violent, despite an anti-piracy EU naval force patrolling the area. The IMO's new recommendations are backed by the independent trade body for security companies operating at sea, the Security Association for the Maritime Industry (Sami), launched last year. Peter Cook, co-founder of Sami, told the BBC: "The pirates have been killing - they have been torturing and doing fake executions and the level of violence is increasing.

"It is clear that something has got to be done in order for free trade to be able to continue and it is for that reason that the IMO have decided to go down this very unusual route." The IMO insists that the guidelines are not intended to institutionalise the use of armed, privately contracted security staff on ships and that they do not address all the legal issues that could be linked to their use. It says it is up to each national government whether to endorse the use of armed guards. The IMO describes the guidance as "interim recommendations" and says it will review them in September.



Ocean Carriers profit expected to fall in second quarter



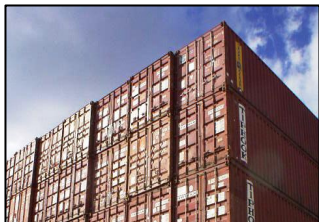
The financial performance of ocean carriers will deteriorate in the second quarter as falling freight rates and rising operating costs hit shipping companies' bottom lines, according to a new report from Alphaliner. Hopes for a rapid recovery in container shipping have "evaporated" with little sign freight rates will show any significant improvement before July, according to the container market analyst. The pessimistic report follows several negative financial reports from carriers.

APL, Hanjin Shipping and Hapag-Lloyd all reported losses in the first quarter, and Maersk Line parent A.P. Moller-Maersk warned in reporting stronger first-quarter earnings that it expects a slimmer profit later in the year.

World Shipping Council warns for container shortage

Recognizing that questions arise from time to time about the adequacy of the supply of containers, the World Shipping Council undertook an evaluation of whether the expected global container fleet size is sufficient to handle the expected cargo demand.

The issue of sufficient container equipment availability arises in various contexts, but there are few overall analyses of what factors are most relevant to whether supply is constrained or ample. A number of market forces affect the availability of containers, and their impacts are difficult to quantify and predict. Therefore, the World Shipping Council's review seeks to evaluate each of those factors independently, utilizing multiple sources in order to draw some conclusions about the status of the aggregate supply compared to demand.



Traditional measures of supply versus demand, like the ratio between the container inventory size and the container vessel capacity, or the number of loaded containers moved as compared to the container inventory size, indicate that equipment supply is likely to be constrained in the 2011 peak season. An evaluation of a number of other market forces that have an impact on container availability also indicates that most of these factors will reduce, not increase, container availability.

As a result, the World Shipping Council's paper concludes that equipment supply will be tight in 2011, especially during the peak shipping season, and that proper planning and forecasting by shippers and carriers will be important to manage through times of constrained equipment supply. The paper's analysis is based on global container fleet and volume forecasts, and does not seek to make any projections about equipment availability in particular trade lanes or geographies or about particular carriers' equipment situation.



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