

# NEWSLETTER

# 21 – July 2011



## **Green Alliance stops Far East service**

Next week the members of the CKYH Green Alliance will stop their NE5-service between Northern Europe and the Far East. It's already the 5<sup>th</sup> East-West service which ceased his activities this year. Despite the fact that cargo volumes between Europe and Asia are still increasing with 4 to 6%, the shipping lines are unable to load their vessels up to full capacity. For this reason the CKYH alliance members have decided to withdraw their service with their smallest vessels capacities.

It concerns the NE5-loop employing nine vessels between 5.447 and 6.039 teu's. All of them are in ownership of Hanjin Shipping. The "Hanjin Ottawa" makes his last trip on July 3<sup>th</sup> departing from Shanghai. Afterwards the vessel will call Ningbo, Yantian, Ho Chi Minh and Singapore before sailing to Algeciras, Hamburg, Rotterdam and Le Havre. The South Korean ship owner has not yet decided what it will do with their nine vessels after the stoppage of the service.



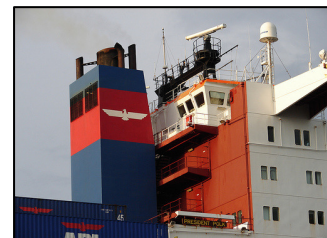
The decision to stop the NE5-service is exactly three months after the start of the new 6<sup>th</sup> loop, where both Cosco and Hanjin are employing larger ships with capacities varying between 8.400 and 10.000 teu. The NE6-service will include a port call in Algeciras taking over from the NE5-loop. The fifth loop of Cosco, K-Line, Yangming and Hanjin is the second service on the same trade lane which is withdrawing from service after the decision of PIL and Wan Hai earlier this month.

Observers are lead to believe more liner services are considering stoppage of their Far East/Europe services because losses are unavoidable with the increasing fuel charges and decreasing freight rates. Also the Pacific trade is suffering and tariffs remain further under high pressure. Both Chilean CSAV and TCC "The Container Company" announced earlier to withdraw from service.

## **APL going for 14.000 teu vessels.**

Neptune Orient Lines (NOL) wants to build 10 ultra large containers ships of 14.000 TEU for its subsidiary APL. It's already the 13<sup>th</sup> shipping company that chooses to ship with vessels of this size. NOL has not yet ordered the vessels, but do signed a statement of intention. The 10 vessels of 14.000 TEU will be built by Huyndai Samho Heavy Industries and will sail between the Far east and North-Europe. NOL will order 2 extra ships of 9.200 TEU at Daewoo.

At the same time the existing order of last year consisting 10 units of 8.4700 TEU will be adjusted, these vessels will be able to transport 9.200 TEU. They will probably use this tonnage in the Pacific. The new orders, and the adjustment of previous orders have a price tag of 1,54 milliard dollar. APL is choosing for more tonnage to limit the costs per lock. These new vessels will replace the chartered tonnage and the older vessels. When NOL confirms the order, the number of locks under construction will increase to 362.800 TEU.



The order book representing 62.8 % of the current capacity of the fleet which is the highest percentage of all the big shipping lines. The vessels that NOL is planning to order now should be in service by 2013 and 2014. APL will receive 10 new vessels with a capacity of 10.700 TEU.

## Pessimistic prospects for carriers

According to investment bank Jefferies, the clouds are getting darker above the shipping sector. Jefferies is expecting that most of the shipping lines on the Asia-Europe route will end with negative figures. Investment bank Jefferies set up a very negative report about the future evolution of the two biggest trades in the shipping line. According to Jefferies reading, 20 of the 30 indicators that the bank is following for her forecasts are negative.

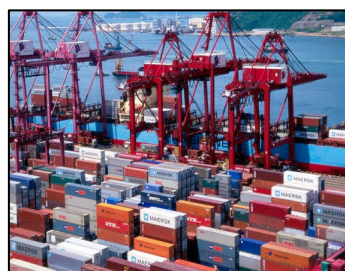


Notable are the unusual low spot rates at the beginning of the peak season. "We are convinced that the Industry already is negative on the Asia/Europe route. And the transpacific route is doing for the moment its best break-even. Market sources are indicating that the new service contracts in the pacific is not as popular as last year." The bank named NOL, CSCL and OOCL as the shipping companies of which the figures will turn red in 2011.

Especially the high oil prices, that will hit the shipping companies directly and indirectly, and the delivered capacity are according to Jefferies a result of the deteriorating condition. Maersk Line has apparently delayed an obligation loan, that had gain 1,4 milliard dollar, because of the fast declining situation in the sector.

## More volumes during Q1

The container volumes on the seven most important routes to and from Europe increased in comparison with the first quarter of 2010. According to statistics from CTS – successor of the ELAA that get's his information of the shipping lines – it seems that the first quarter of 2011 is extremely favorable against the same period of last year. This result was especially due to the first and third month of this year. The Intra-European traffic stood out, both southbound (+23,81% to 349.000 TEU) as northbound (+27,83% to 275.1000 TEU) performed very well in the first quarter.



For the two biggest routes in terms of volume we refer to attached table. The trade between Europe and the Middle-East/Indian subcontinent showed a stronger increase WB (+15,39%) in comparison with EB (+6,03%), hereby the unbalance on this route declined. In the first three quarters 678.500 TEU were shipped on this route from Europe and 515.100 TEU to Europe. Despite a strong increase during 2010, the container volumes also kept increasing in the first trimester of 2011 between Europe and South- and Central-America.

On the southbound of this trade, they shipped 341.700 TEU (+21,11%) while the northbound shipped 413.800 TEU (+13,65%). On the route to (sub-Saharan) Africa 365.900 TEU (+27,49%) was shipped in the first quarter SB and 199.800 TEU NB (+10,88%). On the route between Europe and Australia/Oceania there was only a tiny increase noted of 2,5% both NB as Sb. The unbalance on this trade stays very big (more than 100%) with 105.100 containers shipped to Australia and 47.000 TEU from other regions to Europe.

Totally different concerning the rate-evolutions. From the aggregate price-index we see that the WB-rate on the Far East/Europe in March for the seventh consecutive month decreased to 88. The EB-rate stays the same (90). On the route over the Atlantic Ocean, the rates EB are steady on 105; on the WB there was a small decrease to 86. Also the rate-index on south-America achieved well (+1 point to 102 SB and +2 points to 91 NB), the rate on the Middle-East/India is weak.

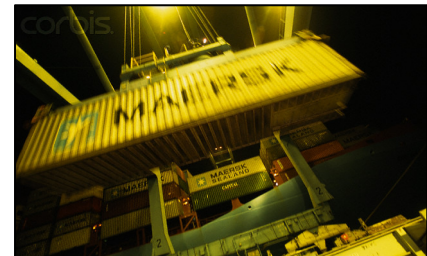
North America	Export of the EU		Difference %	Import of the EU		Difference %
	2010	2011		2010	2011	
<b>January</b>	214.500	234.600	<b>9,37%</b>	212.600	228.800	<b>7,62%</b>
<b>February</b>	245.700	251.00	<b>2,16%</b>	215.100	227.000	<b>5,53%</b>
<b>March</b>	275.800	289.700	<b>5,04%</b>	252.500	279.200	<b>10,57%</b>
<b>Total Q1</b>	736.000	775.300	<b>5,34%</b>	680.200	735.000	<b>8,06%</b>

Asia	Export of the EU		Difference %	Import of the EU		Difference %
	2010	2011		2010	2011	
<b>January</b>	417.400	451.000	<b>8,05%</b>	1.116.500	1.313.300	<b>17,63%</b>
<b>February</b>	453.100	449.900	<b>-0,71%</b>	942.600	853.700	<b>-9,43%</b>
<b>March</b>	510.600	540.000	<b>5,76%</b>	1.076.800	1.164.900	<b>8,18%</b>
<b>Total Q1</b>	1.381.100	1.440.900	<b>4,33%</b>	3.135.900	3.331.900	<b>6,25%</b>

### Maersk Line best in environment performance.

Sealntel Marine Analysis has created a new method to benchmark the top 20 container carriers on their environment performance. Maersk Line is leading here with a score of 3,87 on 5. "Up to this day, you cannot find a systematic model that the worldwide footprint of the 20 biggest shipping lines in the world compares with each other." Says Sealntel Maritime analysis. That's why a Danish consultant – led by ex-Maersk Line's Lars Jensen – developed a benchmark method under the name Carrier environmental Index,.

This method do make it possible to make such a comparison. It is about a combination of the performances achieved with the own fleet and the measurable actions undertaken inside the company and the sector. This method will be further improved according Sealntel as more standards are included. "The biggest problem of the comparability of the environment performances, was the lack to a common definition of what was included with this performances. We made a choice in that area and are fully transparent with it," says Jensen.



The 20 biggest shipping lines are good for 84% of the maritime container transport. They received a score of Sealntel on a scale of 1 to 5. Maersk Line scored the highest with 3,87 and Hamburg Süd is second with 3,81. Hyundai Merchant Marine has the third place with 3,51.




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