

NEWSLETTER

31 – September 2011



TUI delays Hapag Lloyd sale

Tourist concern TUI has delayed the sale of his 38.4% share in Hapag Lloyd indefinitely. Normally the sale was scheduled during summer however TUI has decided differently.

Already earlier this year, TUI postponed the sale of his shareholder ship in the German container carrier however the weakening of the market conditions and the fall back of the results forced them to make a different decision. Hapag Lloyd is manoeuvred into a situation where the realization of positive results are doubtful for the remaining of 2011.

Nevertheless the decision of TUI to hold back the sales of their shares does not come as a surprise for insiders. An immediate "sale scenario" looks quite unlikely in view of the current market situation where also other carriers are struggling for survival. Worsening the situation for selling part of Hapag Lloyd is the phobia of a foreign investor entering the German carrier. With the present economical situation, the timing to enter successfully the stock exchange market seems unpredictable.



As a result it looks more and more feasible that TUI will sell his part in Hapag Lloyd to the other shareholder Albert Ballin at a rate which was initially agreed. This scenario looks for the moment the most realistic ... to be continued.

CMA CGM looking for new take overs

CMA CGM's president Mr. Jacques Saadeh has declared recently in an interview with British Lloyd's List, that he is expecting the French carrier to return to profit still this year. Despite the decreasing rates between the Far East and Europe, the shipping line is not suffering any losses according to Mr. Saadeh. He expects that by priority the smaller carriers will face difficulties rather than the bigger ones. During the interview Mr. Saadeh suggested he might be considering to take over an existing operator next year. In the past CMA CGM already took over the shipping lines : MacAndrews, Delmas and CNC Line.

Since expectations for 2012 are positive, CMA CGM has started negotiations with Chinese ship builders for new container vessels. A new first order would contain 8 new vessels with a capacity of 8.000 teu who possible could be delivered in 2013. Over more discussion are going on for another 10 vessels with 9.000 teu capacity containing a high reefer space availability of 1.400 plugs per vessel. All this new tonnage would be taken on a long term charter agreement from its Chinese owners.



In the same interview Mr. Saadeh stated that they have no intentions whatsoever to follow the trends set by Maersk recently to start building vessels with 18.000 teu capacity. Nevertheless he changed a running order of six vessels with capacities between 12.500 and 13.830 teu into vessels of 16.000 teu. It concerns a CMA CGM order for 3 vessels and another one for 3 vessels of German ship owner Claus-Peter Offen who CMA CGM is chartering.



These six vessels will operate a joint service in cooperation with Maersk between Europe and the Far East. CMA CGM will also continue to invest in container terminals at strategic locations. In order to finance this operation it is most likely that other investments in terminal capacities in minor ports will be sold in the near future.

Evergreen, Hapag Lloyd and CMA CGM starting new liner services

Three giant container carriers are adding new discharging ports to their existing services. Early August, Evergreen started a feeder service between Kaohsiung and Cebu. The service will be operated by their own tonnage "Uni Chart" with a capacity of 1.038 teu. Before the Taiwanese operator was using the services of ship owner "Sea Consortium" for their port calls at Cebu.

Hapag Lloyd has started their own feeder service between Indonesian ports Surabaya and Jakarta. This service will be connecting the exiting services calling Singapore. For this new weekly SIS-service (Singapore Indonesia Service) which started operating as from August 4th, the German carrier is chartering the 1.296 teu "Victoria Trader". Before Hapag Lloyd was using various independent services.

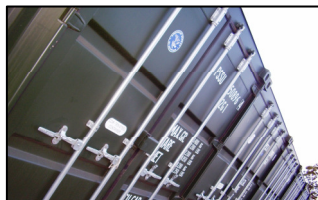


French carrier CMA CGM have included the port of Xiamen in their eastbound rotation schedule of their FAL-3 service between Northern Europe and the Far East. Transit times from Rotterdam and Zeebrugge to this Chinese port will be respectively 39 and 36 days. The FAL3 service is operating with vessels tonnage of 9.415 up to 11.388 teu. They are serving Dunkirk, Rotterdam, Hamburg, Zeebrugge and Southampton with Beirut, Jeddah, Port Kelang, Chiwan, Xiamen, Qingdao and Ningbo.

The FAL1 service of CMA CGM is already calling at Xiamen, however transit times from Northern Europe are reasonably longer with this service since the port call is made on the return voyage from the far East back to Europe. Xiamen is important for imports of recycled waste and marble.

No fears for container shortage

Despite carriers predictions that there would be a shortage of container equipment during the peak season, this fear has proven to be none realistic. There have been sufficient containers available for the shippers during peak season and afterwards. The shortages of last year are over and out. According to analyst Alphaliner it is unlikely that the problem will reoccur within short. Carriers and leasing companies have ordered enough production of new equipment over the 12 months to meet the demand of the market circumstances, also assisted by the slow down in trade growth.



Figures are stating that a capacity of 800.000 teu of new containers should be more than feasible to meet the market demand until the end of 2011. The prices for the production of new equipment have already started to decrease. At the beginning of the year, the average box rates was still at a level of us dollar 2.900 whereas today production costs are at us dollar 2.500 per box.

It is estimated that the next two years another 4.5 million teu per year will be taken into production. This should be sufficient to meet the increase of slot capacity due to larger vessels coming into service. This increase is calculated at 1.4 million teu for 2012 and 1.8 million teu for 2013. Per year another 1 million teu is required to replaced old, damaged and total loss containers.

Top carriers extending their market grip

Newcomers in the liner services are having a rough time to stay competitive with the big established companies, which form an increasing proportion of the capacity control. At present the 20 largest container carriers are controlling 84% of the container fleet. Never before this share was that big. Nevertheless the market remains very fragmented since on carrier has a 20% market share.



Market leader Maersk Line is having a market share of 15.4% compared to their market capacity. Only MSC has a 10% market entrance beside the Danish operator (12.9%). All other well known carriers like Cosco, Hapag-Lloyd, Evergreen, APL, CSAV, Hanjin or China Shipping, the 4th ranked in the top 10, are having a market share that varies between 3% and 4%.

The fact that most carriers are global players is making it extremely difficult for newcomers to develop a market share. The Containership Company (TCC) and Yanghai Shipping Co. are two recent examples of young shipping companies who lost their battle against the establishment earlier this year being forced to stop their service.

Analysts Alphaliner concludes that new players coming into the market in future will only have a reasonable change in case they have sufficient financial resources. The reason is due to the fact that the larger operators have substantially lower slot costs thanks to the larger scale of operations. Also their handling charges with terminals thanks to their better buying position and their entrance with the financial constitutions is facilitating their biz. more then newcomers.



Two new young Chinese operators, Hainan Pan Ocean Shipping and Grand China Shipping have adjusted their ambitions recently after their quick and dynamic start a couple of years ago. They were forced to reduce their capacities earlier this year. Also the members of the New World Alliance, APL, Hyundai and MOL, have ceased their operation to the Indian Ocean. But they still have the advantage they can re-routed their vessels tonnage to other trade lanes.

