

NEWSLETTER

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Hanjin shipping upset about tariff policy

Recently Mr. Kim Young-min, CEO of Korean container carrier Hanjin declared that liner operators should stop the absurd price war between themselves in order to avoid they will be forced to face financial losses as before during the shipping crisis of 2009. According to Mr. Kim Young-min they should focus on working together in order to turn the tide and find a way out of the present critical circumstances.

He stated his point of view during an interview with "Lloyd's List" in relation to the Transpacific Stabilization Agreement which has taken place late September in Seoul. Mr. Kim Young-min is also the president of TSA. He declared that the present competition focussing on rates only is killing the sector. Shipping operators should rather pay attention to quality and service.



He also referred to the 2009 situation when all carriers started to apply slow steaming concepts and decided to anchor their overflow of vessels capacity. Today the shipping lines should apply a mutual policy to face the economical crisis leading to important financial problems with most container lines. Regretfully today we are far from any mutual strategy, he declared.

Competition is rapidly increasing due to ULCS vessels coming into service in an unstable market where the future on medium long term cannot be predicted. Larger vessels will also require larger volumes to be carried by the container lines and these type of vessels will require full completion to remain profitable. Hanjin was not saved by the bell under the present circumstances since they have seen their losses increase during Q2 of 2011.

Overcapacity due for another 18 months

According to DVB bank both the bulk and container operators will be facing overcapacity for the next 18 months. Mr. Dagniff Lunde, BOD member of the German bank, stated that at present there is 2.5 more vessels capacity available, including the orders running at the ship yards, then required to replace the older tonnage. Both Chinese and Korean ship yards deliver new buildings into operation and as a result the costs for these units is going down drastically, according to Lunde.

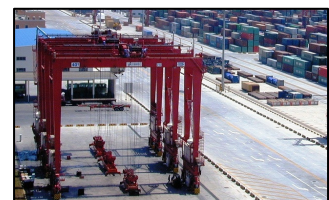


We are expecting more problems in the dry bulk sector and in some segments of the liquid and container vessels market, said the banker. Before end of 2012 we do not see any improvement. Hopefully the supply and demand situation is finding it's balance again. Lunde who is the DVB's expert for vessels financing claims the low tariff situation is causing owners into a position where they have not sufficient cash flow. As a result thereof they are inviting the bankers for more credit lines or they are unable to full fill their financial obligations.

The vessels auctions have increased over the last six months. Some owners are forced to sell part of their fleet in order to get their cash flow turning again. A shortage of cash flow is killing any shipping line on short term. However the result thereof is that most banks are reluctant to grant new credits for shipbuilding projects.

Chinese terminal rankings going up

Independent consultant Drewry has published a new top 10 of container terminal operators irrespective of their location. The new ranking is only counting those operators which handle more then 1.000.000 teu.



They have based themselves on the volumes handled during 2010 and operators who own fully or partly one or more terminals. The new ranking is nominating 65 operators including the well known global operators, financial investors, carriers and governmental controlled local players. By considering local players in the ranking and not only international terminal operators, the listing has been adapted compared to earlier statistics. As expected, Chinese operators are advancing in the rankings and have in the meantime announced their international ambitions.

Operator		Million teu		Global share	
1	PSA	51,3	%	9,4	%
2	Hutchison Port Holdings	36,0	%	6,6	%
3	DP World	32,6	%	6,0	%
4	APM Terminals	31,6	%	5,8	%
5	Shanghai International Ports Group	19,5	%	3,6	%
6	Cosco	13,6	%	2,5	%
7	MSC	9,9	%	1,8	%
8	China Merchants	8,9	%	1,6	%
9	Ports America	8,1	%	1,5	%
10	Modern Terminals	8,0	%	1,5	%
Top 10 total:		219,5	%	40,2	%

The new listings are also considering the participation of the terminal operators in the handling of the individual terminals, thus avoiding double counting of teu's handled. As a result, the figures of PSA and Hutchison Ports have been corrected since PSA is participating for 20% in Hutchison Ports and as such in all terminals controlled by the Hutchison Holding. Also the teu's handled at the Antwerp Gateway Terminal have been divided between DP World (42.5%), CMA CGM (10%) Cosco (20%) ZIM (20%) and Duisport (7.5%). Cosco's good ranking is thanks to their containers handled at the Cosco Pacific and Cosco Container Line terminals.

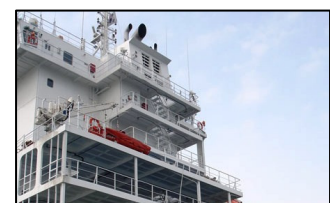
Container lines loosing 360 million us dollar during H1 2011

There are huge difference in the results of the 20 largest container carriers during the first half of 2011. Only 4 operators have reported to be profitable. According to French database Alphaliner there are 4 container lines who have not reported their figures for this period. They are MSC, Hamburg Süd, PIL and United Arab Shipping Company. From the 16 remaining container operators, only 4 have proven to be profitable : Maersk, CMA CGM, Hapag Lloyd and OOCL.



The remaining 12 were all facing losses. During H1 of 2010 the top 20 operators made a joint profit of 3.77 milliard us dollar, this year the collective result was counted 360 million us dollar of losses. Remarkable is that two of the three largest container operators have presented the most favourable results. Maersk and CMA CGM have both presented the best figures. They do not only control the larger volumes, but are also using the larger capacity vessels resulting in lower costing per teu. The performance of MSC with their 14.000 teu vessels is a well guarded secret.

Nevertheless the profit margins of the different services are varying drastically. Going from plus 4% (OOCL) and plus 8% (CMA CGM) till minus 19% (CSAV). Some of the carriers have taken the advantage of "one time" profit results. For instance Maersk Line included us dollar 118 million from sales of part of their shipping fleet, resulting in a plus 3.3% profit and not plus 2.4%. Hapag Lloyd seemed to have negative results but could profit from their so called "hedging" practices.



The situation for the moment is not yet as drastic as the first semester of 2009 when 16 carriers from the top 20 were losing together 6.25 milliard us dollar. At that stage they decided to anchor part of their fleet and suspend part of their services. These measures have so far not been taken which could lead to the conclusion that profit margins are still reasonable for some of the operators which target to better results when the market would normalise again.

CSAV

Chilean container operator CSAV was forced to take important measures since their losses during H1 increased to us dollar 519 million, or us dollar 2.87 million per day. In order to compensate these losses fresh capital is required. This will be the object of discussions during an exceptionally shareholders meeting on October 5th. A capital increase of us dollar 1.2 milliard will be discussed and also a new structure for CSAV will be analysed.



CMA CGM

Despite the fact the French carrier realised the largest profit of all top 20 shipping lines and their margin realised was considered number one, the container carrier remains under careful observation from the financial market. Moody's and Standard & Poor both lowered the rating of CMA CGM and claimed the future outlooks of the liner services remain negative. CMA CGM had already reacted very strongly to previous reports from Bloomberg by claiming that comparison was made between parameters who had no relation with each other. The liner operator stated their Far East services are only contributing 10% of their annual turn over. According to CMA CGM's president, Mr. Jacques Saadé, the shipping line will finalise 2011 with profitable figures.

Rickmers & Maersk working together for project shipments

Two brand new multipurpose vessels from Rickmers Linie will join the American fleet daughter company of Maersk Line. The service will be operating under the brand name "Maersk Rickmers US Flag Project Carrier" and both carriers will operate joint services for the transport of heavy lifts and project cargo's who require American Flag prescriptions.



Both vessels will have a 19.000 dwt capacity, geared with own cranes to load upto 480 tons unit weights. Originally these vessels were ordered in 2007, however the delivery was delayed due to the shipping crisis which broke out in 2009. The "Rickmers Kobe" will now be renamed "Maersk Illinois" and will be operational as from November 2011 under American flag together with the "Maersk Texas" previously named Rickmers Philadelphia. Both carriers have worked together before since Maersk Line is chartering 8 vessels with 13.092 teu capacities from Rickmers Reederei, a daughter company from Rickmers Linie.

