

NEWSLETTER

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CMA CGM negotiating with the banks

According to the French press, CMA CGM has started a new round of negotiations with their bankers. The current liner situation is very sensitive and thus discussions are proceeding slowly. Newspaper "Antenna" stated the French carrier has restarted discussions with bankers because the recent economical situation is declining drastically over the last months.

A CMA CGM's spokesman declared they were always talking with their bankers on a daily basis. He emphasized that the carriers investment program for 2010 had been finalized and concluded. Furthermore he stated the shipping line was confident for their future although he confirmed that competition in the Far East / Europe trade had increased.



French press "Le Figaro" disclosed CMA CGM is forced to negotiate with their bankers in order to review their financial ratios and receive new financial modalities. Le Figaro stated the French carrier will not be able to respect their agreements as foreseen in the loan contracts. Since the end of the peak season this summer, and already before, the problem of an excessive overcapacity has again become a daily reality. Moreover the World Trade Organization has predicted a slowdown in global trade. This year the increase is foreseen to be 5,8 pct although before it was projected to be 56,5 pct. Also after the 2008 crisis CMA CGM had rescheduled their financial debts with the banks.

CSCL making us dollar 95 million loss

During H1 of this year China Shipping Container Line has given a negative financial performance loosing us dollar 95 million. During the same period of last year, the Chinese carrier still set a positive result of us dollar 264 million.

CSCL is China's second largest container carrier after Cosco. The carrier commented there were two major reasons for the occurred losses. The overcapacity of the present market on most trade lanes and the increase of operational costs due to i.e. bunker prices etc. were stated as main causes. In their declaration at the presentation of the half year figures, the container operator stated the way to recovery of the container market would be difficult.



They declared that the critical point of no return would be when then when most new built VLCS vessels would come into service. CSCL themselves will take receipt of three more 14.100 teu vessels before end of this year.

Hanjin looking for extra cash via equity issue



The South Korean carrier Hanjin Shipping will be issuing new shares on November 24th of this year in order to create new cash amounting to us dollar 405 million. The strategy behind this move is the creation of sufficient cash flow because they analyze the present market situation is still uncertain towards the near future. Hanjin Shipping faced recently some rough seas on their stock exchange value. Their stock exchange dropped with 10.6% to a value of us dollar 7.8 per share.

Early August the share still had a value slightly above us dollar 10 per share. Hanjin Shipping will also be selling their participation in Hanjin Energy. This transaction would be creating another us dollar 135 million on extra cash reserves.



Likewise many other container operators, Hanjin Shipping has suffered losses during H1 of this year. During the second quarter the losses increased to a level of us dollar 254 million, whereof us dollar 159 million caused by the container liner services. Meantime Hanjin has announced the suspension of their joint services operating under the "Central China Long Beach Express Service (CLX) with their partners COSCO, Wan Hai and PIL.

This service to the Pacific only started early May of this year in order to anticipate the peak season. At the beginning of the year in winter season the same partners also stopped their liner services between Singapore and Japan to the Pacific (SJX).

CSAV increasing capital

During an exceptional meeting of the Board of Directors of the shareholders, Chilean CSAV has approved the increase of their capital with us dollar 1.2 milliard. The extra funds were required in order to compensate the losses of the first half of 2011 amounting to us dollar 525 million.



The family Luksic is investing us dollar 1 milliard into CSAV via their holding "Quinenco" and as a result thereof is becoming the largest shareholder of the shipping operator. According to a statement of president Guillermo Luksic the year 2011 will be dramatic but nevertheless he believes 2012 will show an important improvement. During the same Board meeting, the logistic activities of Sudamaricana Agencias & Maritimes (SAAM) were split from the shipping activities enabling this identity to be sold to 3th parties and as such contribute to the cash reserves of CSAV.

Luksic repeated the shipping line was looking for a partnership with one of the leading global container carriers. Over the last months, the Chilean operator has suspended various liner services who were loss making. On other trades they joint forces in alliances with MSC or CMA CGM. Same was resulting in the redelivery of chartered vessels and cargo's could be shipped on larger vessels of their partners. Nevertheless the closure of these services is showing an impact on the carried volumes. This year CSAV is expected to carry 3.2 million teu whereas the budget for next year is targeting 2.5 million teu only. Furthermore there is also an impact on the staff employment of their local agencies. In Belgium negotiations have started with the unions to make 23 staff out of a total of 56 redundant.

COSCO looking for 23% participation in the port of Piraeus

Chinese ship operator COSCO has claimed to be a candidate to take a direct interest of 23.1% as stakeholder in the Greek port of Piraeus. This transaction is due to the present Greek economical situation. The government is looking to privatize part of their infrastructure to compensate the countries enormous debts.

Although the exact details have not yet been disclosed, Greece will be forced to privatize parts of their ports towards end of the year. As a result the authorities of Greece's major port Piraeus will require to sell part of their shares amounting to 23.1%. Various sources have confirmed that Chinese COSCO is the number one candidate to take direct participation in the PPA, Piraeus Port Authority.



That COSCO is considered one of the main favorites to buy this part comes for insiders not as a surprise. The Chinese group already signed earlier this year agreements with PPA for cargo handlings at pier 2 and 3 of the container terminal in Piraeus. With this contract, COSCO was acquiring the concession for 35 years. With a further participation of shares in PPA, the Chinese operator would further built his interests in the Greek ports.