

# NEWSLETTER

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## **Us dollar 57 billion of container ships booked till 2015**

Alphaliner says about half of orders made as industry emerged from deep slump in 2009 Ocean carriers and charter ship-owners have placed orders worth us dollar 57 billion for new container vessels over the next four years, with about half of the value of orders made as the industry emerged from a slump in 2009, said Alphaliner.

The carriers' and shipowners' ordering spree of us dollar 27 billion for new container vessels prior to the collapse of Lehman Bros. added to us dollar 30 billion of contracts already in the pipeline, the container market analyst said. Of the orders for new ships through 2015, ocean carriers account for us dollar 35 billion and charter owners us dollar 22 billion. "The carriers' first action after emerging from the worst recession in container shipping history ever, was to order even more capacity," Alphaliner said. "New orders were placed in an already over supplied market."



The capital commitment on new vessels by 19 of the largest ocean carriers exceeds us dollar 33 billion. MOL and NYK are the only top 20 carriers without outstanding new vessel commitments on their own account. But the Japanese lines have signed charter deals for 13,000-14,000 20-foot equivalent container units new buildings with their alliance partners "to not be left out of the expected capacity growth." As ships ordered in 2010 and 2011 are between 25 percent and 30 percent cheaper than vessels contracted before the crisis, their owners will benefit from a significant cost advantage to ships ordered in 2006-2008.

Maersk Line is the biggest spender with new ship commitments estimated at us dollar 6.5 billion, largely accounted for by its 20 Triple-E class 18,000 TEUs ships costing us dollar 190 million each. The Danish carrier's order book also includes 24 ships of 4,500-7,500 TEUs valued at us dollar 2.6 billion. Singapore-based Neptune Orient Lines/APL ranks second with orders worth close to us dollar 4 billion, followed by Taiwan's Evergreen at a little over us dollar 3 billion.



## **NYK facing bigger losses than expected**

Japanese carrier NYK has realized a disappointing Q2 and as a result will have larger losses than originally foreseen. Likewise other colleague competitors, NYK had expected that container rates would be increasing during peak season, but this did not happen due to the global economical crisis.

According to a press release from the Japanese operator, there was a volume increase during summer however due to the increase of container capacity during the same period, the balance between supply and demand did not change. As a result of same, tariff structures did not increase as budgeted. NYK is expecting the first half of their financial year, between April and September, the losses will be around us dollar 156 million. Only a couple of months ago the container carrier claimed their negative results would only be us dollar 65 million.



The regular liner services are not the only sector where NYK is facing important problems. Also their tanker market was performing weak. In contradiction with these performances the car market, especially the Japanese car manufacturers export were performing satisfactory. Earlier this month another Japanese operator K-Line adapted their financial prognoses. They targeted a financial loss of us dollar 26 million for their balance sheets between April 2011 till March 2012. Earlier this month they adjusted their figures and reported the losses would increase up to us dollar 390 million.

## **MSC joining forces with CMA-CGM, CSAV and CSCL**

Three shipping lines, French CMA-CGM, Chilean CSAV and Chinese China Shipping Container Lines (CSCL) have concluded a new agreement with MSC. The four partners are replacing three existing container services between the Far East, Mexico and the West Coast of America by two new loops with larger vessels. The new cooperation will allow the partners to withdraw 10 panamax vessels with an average capacity of 4.200 teu's. The new loops will be operated by postpanamax vessels with capacities between 6.500 and 8.500 teus thus resulting in lower slot costs.

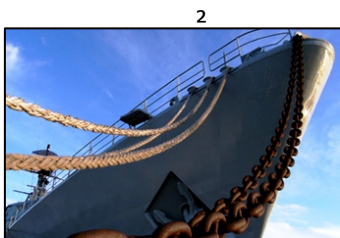


The total capacity of this new joint venture will be offering 15.000 teu's per week to the trade per direction. The present three running services are totalling 18.000 teu's and as such the partners are rationalizing their services. The first departure of the new service has been performed by the "CMA CGM Nabucco" with 8.488 teu's ex Chiwan and the "Puelo" from CSAV ex Xingang with a 6.541 teu's capacity.

In the current market more and more postpanamax vessels are being transferred to the North-South trade resulting in the fact there is an important overcapacity of panamax vessels in the market. Consequently the charter market for this type of vessels is coming under pressure. Today a vessel with 4.000 teu's capacity is costing nearly the same as a vessel with half this capacity.

## **More container vessels anchored**

The stoppage of various container services over the last weeks and months have forced carriers to anchor part of their vessels. According to French databank Alphaliner the number of container vessels anchored has increased to 129 vessels recently. Together they have a 270.000 teu capacity or 1.8 pct of the global container fleet. At the end of Augustus this was still 1.4 pct.



The unemployed capacity can be divided in 89.000 teu from the container operators and 181.000 teu from ships owners who cannot charter their vessels under the present market conditions. Meantime another five vessels with capacities of each 5.000 teu have been anchored. Alphaliner expects that towards the end of the year the deactivated fleet will increase to a total of 3 pct. As a comparison, during 2009 the fleet anchored was hitting records high with 1.5 million teu unemployed, or 12% of the total capacity at that stage.

Another maritime analyst Macquarie Research believes this total could increase to 5 pct. Traditionally as from November onwards volumes will be decreasing and more chartered tonnage will be redelivered to their owners. Macquarie believes that container operators with larger debts who are chartering a relative larger part of their fleet will be redelivering their tonnage. CMA CGM is taken as an example. The French operator has an own fleet of 94 units representing 506.140 teu's and a chartered one of 309 vessels with 838.618 teu's.



Despite this negative situation and the overcapacity in the trade, Canadese ship owner Seaspan continues to negotiate with South Korean shipyards to built new ships of 18.000 teu. CEO Jerry Wang confirmed in June he was planning to built new tonnage in South Korea. The orders will be placed as from the moment Mr. Wang can conclude a long time charter agreement with one of the shipping lines. He stated the deal could also be made with an existing alliance of different partners operating one service.

According to market rumours Hanjin and Cosco are tipped as interested parties. Mr. Wang declared the overcapacity is largely exaggerated since he believes the market will continue to grow annually with 8 pct. He also claims the market requires newly built vessels meeting today's environmental standards and replacing older and less efficient tonnage.

## **Yildirim using veto rights against new order from CMA CGM**

Turkish business man Robert Yildirim has used his veto rights recently during a BOD meeting of French carrier CMA CGM against orders for new buildings. In July it was announced by the container operator they had placed an order of 9.000 teu vessels container with high reefer capacity with Jiangnan Shipyard and Dalian Shipbuilding. It concerned two orders of each 10 vessels which was scheduled to be used for the Latin-America service.



When earlier this month this information was disclosed by Chinese press leaks, the French operator denied the rumours firmly. At that time the shipping line stated that the control of their financial debts and the improvement of their financial position was their main priority. During an interview with English "Lloyd'sList", Robert Yildirim disclosed he had stopped this order by using his veto rights. Turkish Yildirim has invested us dollar 500 million in CMA CGM and as a result is having 3 seats at the BOD of the shipping line.

We want CMA CGM to become stronger, he declared, and a new order of this size would not be in the immediate interest of the group and the container market. He gave negative comments towards other shipping lines placing large orders for new buildings by saying their planning was focussed on their ego's and not realistic at all. This situation has become critical since everyone wants to follow this trend he finalised.

According to Mr. Yildirim's statement the tactics of Maersk Line to order larger vessels of 18.000 teu is based to increase the competition between the other shipping lines since they do not have the same requirements as the Danish and thus are in need of much less additional slots. Yilderim declared to be satisfied with their running agreements with CMA CGM. The container shipping market is not in a healthy position but I am receiving my instalments and am convinced my investment will be returned, he stated.



As from the beginning it was clear that the Turkish investor would leave the shareholder ship of CMA CGM within 5 years. They were ready to invest since they believed the French government would never accept a bankruptcy of their national carrier. Through their participation the Yildirim group has also increased his interests in port activities. As a result they have taken over a larger share of the Maltese container terminal Marsaxlokk from CMA CGM.

