

# NEWSLETTER

## # 41 – November 2011



### **Cosco loosing more then foreseen**

Chinese container carrier Cosco has suffered losses of us dollar 325 during Q3. The shortage after nine months has increased to us dollar 755 million as a result thereof. According to a statement of Cosco's management, the main reason is their poor performance in the dry bulk sector. Half of their bulk fleet is chartered on long term basis.



For some vessels they are paying more then us dollar 80.000 per day whereas the average earning for this time of the year in the present market is only us dollar 13.000 per day. Earlier this year Greek ship-owner George Economou declared that Cosco was not fulfilling it's financial obligations anymore. Cosco Container Lines ( Coscon) has seen a drop in their earnings during Q3 of 21 % compared to last year. The largest decrease was noted in the trans-Pacific trade with 26 % although 1.3% more volumes were carried. The carrier concluded that the downward trend of their turn over was caused by a reduction of the freight rates.

### **Hapag Lloyd and MSC are chartering vessels at low costing**

Since container services to the Pacific are suspended during winter season, many larger container vessels are being offered at the charter market. Same is resulting that the charter prices for these vessels are coming under pressure. Hapag Lloyd has been successful in chartering the "Hanjin Helsinki" with a capacity of 5.447 teu from Hanjin Shipping. The vessel had been employed earlier in the Singapore Japan California Service which Hanjin was operating in cooperation with Cosco and Wan Hai and which was suspended earlier in October.



The German carrier is only paying us dollar 8.900 per day for a chartering period of five to seven months. Hanjin is suffering losses with this particular deal since they are chartering the vessel themselves from a German owner whom they are paying us dollar 28.925 per day. Hanjin is as such loosing usd 20.000 per day for this vessel which they are not using.



Chatering rates have been low since the last 45 days. MSC chartered early October the 5.086 teu "RHL Florida" for a period between four to eight months at a rate of us dollar 8.500 per day. The ship was employed shortly before by Chilean CSAV and was also anchored for a short time. The Swiss carrier prolonged also two more charters for units with a capacity of 5.050 teu from Rickmers Rederei at a rate of us dollar 8.500 and 8.700 per day. All vessels are now used in services between the Mediterranean and North America.

A fortnight ago Maersk negotiated a tariff of us dollar 8.000 per day for three vessels of 5.050 teu in order to keep them in their fleet for another three to nine months. Yangming from their side is just paying us dollar 7.450 per day for a short charter of the "Mare Phoenicium" with 4.038 slots. Charterers are doubtful the rates will go further down. When a vessel of 5.000 teu is chartered for less then us dollar 8.000 per day, it might be a better choice for the owners to anchor their fleet.



Panamax vessels have become cheaper in the market then vessels of 2.800 teu for which the daily rate in today's market has become an average of us dollar 9.200 per day. This is also the rate Maerks Line is paying for the charter they have taken into service recently for a period of three to six months the 2.826 teu large "E.R. Malmo". Most ship-owners do not agree to charter their vessels for longer periods since they are hopeful that rates will increase again after Chinese New Year next year.

## **Shippers in search for greener standards**

More and more shippers are applying Corporate Social Responsibility in their long term company strategy. This includes green logistics. One of the questions popping up is on how they can determine this ecological footprint towards their maritime service suppliers.



Recently Mrs. Nicolette van der Jagt from the European Shippers' Council declared that shippers are ready to take measures to make their logistic chain more greener, but they will also select maritime sub-contractors with a lower ecological foot print. Therefore they require insight info from the shipping lines on how they effectively lower their CO2 values and how these values can be measured.

Philip Damas, Drewry's Supply Chain Advisor stated that the main problem is the way CO2 values are measured since various instruments and methods are applied. The best way should be by considering the real emission however this is practically not possible. The least accurate method is to measure the distance of the maritime transport, the fuel consumption, the efficiency of the consumption and the estimate of the CO2 emission.



A variety of these applications are used by different companies like BSR, Clean Cargo Group, Carbon War Room, Environmental Ship Index from the World Ports Climate Initiative and the Clean Shipping Index from the North Sea Foundation etc ... Nevertheless it remains very difficult to measure the real CO2 emission since this is largely depending from the vessels speed which is often changeable due to many external factors. A standardization of an interactive database would already be an important step forward. Until this standard has been agreed upon, Drewry advises to apply the comparison of different types of green emission calculators and use them to determine the shippers green footprint during overseas transport.

## **China Shipping ordering new vessels in spite of loss situation**

Chinese operator China Shipping Container Lines has made a bad performance during their last quarter. Nevertheless they have scheduled to order new tonnage. During Q3 the second largest Chinese container operator has lost us dollar 149.7 million.

This is bringing their totals for this year to us dollar 251.7 million. During Q3 of 2010 they still had a positive performance of us dollar 364,4 million. The substantial decrease in freight rates has brought a downward turn over performance. Turn over has fallen with us dollar 1.13 milliard during the first nine months of this year, which is resulting in a reduction with 36% compared to last year.



Despite this drastically performance, China Shipping is planning further expansion. The shipping line is looking in to plans to order eight new vessels with a capacity of 10.000 teu at Chinese shipyards with an option for an additional four more. The investment would concern us dollar 1.13 milliard. According to Norwegian press office Tradewinds the investment plans have been presented by the Board of Directors to the shareholders. At present China Shipping has four ULCS class vessels under construction of 14.074 teu's from an original order of eight units. Another order is due for starting to be delivered as from November this year and concerns another eight vessels of 4.700 teu's from Chinese ship yard Jiangnan Shipyard.

## **DP World going steady despite global shipping crisis**

During the first nine months of this year, ships' handling company DP World has seen volumes increase with 11%. The operator confirms to see no growth delay in their volumes handled so far.



The Dubai based operator states having handled globally 40.6 million teu's during the first nine months of 2011. This is a growth with 11 % compared to last years volumes and is mainly reflected by their Asian, African and American terminals and the opening of their new terminals. Without considering the new terminals growth was stabilized at 9%.

The volume handled at the consolidated terminals was amounting to 20,5 million teu, which is 8% more. Antwerp Gateway terminal performed well above the average. The terminal at the Deurganckdok handled 902.000 teu during the first nine months of this year, which is a growth with 68,6% compared with last year. DP World CEO Mr. Mohammed Sharaf announced the company had not suffered from the global economical shipping crisis and the decrease in volumes. However they were carefully following the developments in the maritime industry. He stated DP World believed they could realize the profitable financial results they had budgeted and promised for 2011.

