NEWSLETTER MAY 2010

Container leasing companies increasing their market share

Container leasing companies have, in contradiction with the shipping lines, not faced dramatic times during the economical recession. While the carriers are focussing on the financing of their new built vessels and abstain from ordering new built containers, the leasing companies are taking the benefit of these tactics.

Although the leasing companies had taken a dramatic start in the beginning of 2009, the carriers started leasing on a large scale containers as from the 2nd trimester. This was resulting in an sharp increase in the tariff costing of the container leases. The three major container leasing companies, Textainer, CAI International and TAL international all confirmed that 90% of their fleet was taken in lease by the shipping lines.

A further increase was noticed during the beginning of 2010 as a consequence of the “slow steaming” concept applied by the carriers. As a result the container equipment was facing a longer “turn around time” an thus more containers were required.

In general the predictions for the container trade remain fairly good. Main reason is to be found with the shipping lines who normally take 60% of the global new building orders for their account. Due to the crisis in their industry they have not placed any new orders since the end of 2008.

Also various sales and lease back formulas were negotiated with the shipping lines. As such the container leasing companies were able to increase their market potential.

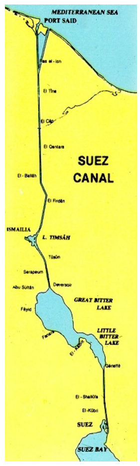
However due to the slow down in container production, the Chinese factories are not restoring their container production capacity. They are waiting for the rates to pick up as a result of shortage.
In 2008 still 4 million TEU were constructed while the projection for 2010 lies around 600.000 TEU only. As a result it was estimated that last year the container capacity was reduced with approx 4% on a worldwide scale.

Transit via Suez Canal suffering heavily

Figures during 2009 confirmed a fall in vessels transiting via the Suez Canal with 19.6%. As a results thereof revenues fell down with 1.1 billion us dollar, the Suez Canal Authorities (SCA) reported.

Suez transit’s were cut by the carriers chopping service strings on their key routes passing the Canal. Also main container carriers were repositioning their vessels on their routes to Asia via the Cape of Good Hope in an attempt to reduce their costing during the crisis.

Also 2009 fuel prices fell down dramatically and so it was more economical for the carriers to pay extra bunkers then to pass via Suez Canal. Over more the piracy risk insurance for the Arab Gulf and Africa led the carriers to use other routes for their vessels.



Statistics are surprisingly showing that during 2009 less container vessels were passing via Suez then during 2005. The influence of the increased container capacity of today's generation of container vessels however should also be taken into consideration.

In an attempt to promote and maintain transit routes via the Suez Canal, SCA's chairman Mr. Ahmed Fadel confirmed they will be freezing the toll tariff for transit during 2010. Estimations have calculated that an average container vessel with 8000 TEU on board is paying a transit fee of approx 280.000 us dollar per voyage and per passage.

<u>**Shipping Lines problems are far from over**</u>

In one of his latest "container forecaster" reports, the independent maritime consultants Drewry are notifying the trade for to much optimism. Although many feel the turning point of the crisis has been reached and rounded, Drewry feels it is much to early for a sustainable recovery.

Since no carriers filed for bankruptcy during the crisis, and volumes are increasing again since early this year, some of the carriers believe they will return to profitability soon. But according to the Drewry report, this is much to soon.

The report states that a large amount of postpanamax vessels will be delivered shortly but even more important, some larger service contracts still require negotiation on the Pacific route. Nevertheless Drewry cannot but conclude that many positive changes have been taken place over the last 6 months.

The report predicts growth in volumes on the trade lanes between Asia and Australia. They are also projecting an increase of 5.4% on the Trans Pacific route. However for the Trans Atlantic and Asia/Europe trade, Drewry remains vague.

Thanks to the application last year of a strict capacity reduction by the carriers, today we are having the impression that contanner volumes are growing. However lately new services have been announced and new and larger vessels will come into service. This will lead to a decrease in freight rates and turn over.

During the 2nd quarter of this year, capacity already has gone up with 9.5% compared to the beginning of the year. This has immediately reflected to some smaller weakening of liner services over the last few weeks.