NEWSLETTER November 2010

Shipping Lines boosting their profit margin

New information released by Box Trade Intelligence is illustrating that carriers active on the Asia/Europe axle have been able to quadruple their profitability during the first half of 2010 compared to their results during the same period in 2008.

This unexpected result is mainly thanks to a drastic reduction in shipping and port costs. Box Trade Intelligence was founded recently by Mike Garret from the consultancy provider MDS Transmodal and Doug Bannister, ex top executive from Maersk Line in UK and Ireland.

BTI calculated that operators on the Asia/Europe trade made a total profit of us dollar 5.3 milliard or us dollar 536 per TEU based on a round trip. In 2008 the profit was only us dollar 1.3 milliard or us dollar 131 per TEU. During the dramatic 2009 there was still a loss of us dollar 3.3 milliard or us dollar 403 per TEU. Calculations are purely based on the ocean freight operations and do not include the land side operations from the shipping lines which were performed in carriers haulage.

According to BTI the huge difference between 2008 and 2010 is thanks to the enormous cost savings realised by the carriers. The ships and port costs have decreased from a level of us dollar 9.8 milliard in 2008 to us dollar 6.2 milliard this year.

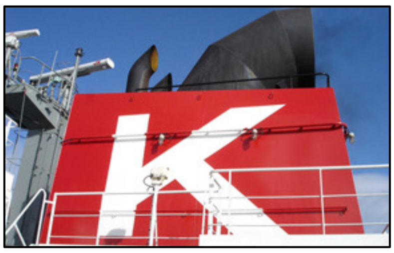
This has resulted in a reduction of costs from us dollar 997 per TEU to us dollar 631 per TEU. Savings are a combination of different factors i.e. slow steaming, stevedoring costs, better utilization of vessels capacities due to fleet reductions and larger volumes.

K-Line – More focus on bulk

Japanese carrier K-Line is determined to close the running financial year with profit. It looks like intermediate prognoses are underlining their targeting with a total profit of JPY 32 milliard. Last year their losses still amounted to JPY 69 milliard.

Mr. Kenichi Kuroya, President en CEO of K-Line visited Europe to announce the new strategy of the carrier for the coming years. New accents will be focussed on the growth of the shipping lines bulk division, whereas prudent investments will be taken in the container division in cooperation with the CKYH alliance partners, better known as the "Green Alliance".

According to official sources within the K-Line group, the shipping line has no intentions whatsoever to order new built vessels with a larger capacity then 8.000 TEU.



Today the container division participates for 45% of K-Lines turn over. This will be reduced in the coming years. The bulk fleet will increase from 200 units today to number 300 units in 2015.

Furthermore K-Line's ambitious plan to built the largest heavy lift vessel in the world in cooperation with Germans SAL having a lifting capacity of 2000 tons will be realised soonest.

CMA CGM – Turkish investor being considered

In the never ending story for the search of new investors in CMA CGM, CEO Jacques Saadé has revealed recently during a meeting in Dunkirk that he is negotiating with various options. One of them is claimed to be the Turkish privately owned industrial group Yildirim.

Yildirim is believed to invest us dollar 500 million in the French Shipping Line. This would bring them in a 20% shareholder ship of CMA CGM. However the transaction has not been finalised yet. The Turkish group is active in various fields of the industry i.e. shipping, ship yards, ship management, mining industry and mineral resourcing.

Other rumours are circulating that the new head quarters of CMA CGM in Marseille could be constructed under a sales and lease back formula. At present the CMA CGM group has a combined total indebtedness of us dollar 5 milliard.

Meantime the French container carrier has significantly improved his position. During the first half of of 2010 turn over has increased with 41% to an amount of us dollar 6.8 milliard. The profit realised was reported to be us dollar 864 million in comparison with a loss of us dollar 518 million over the same period last year.

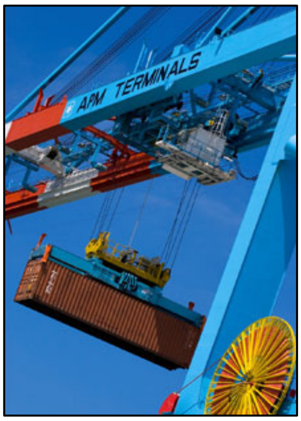
Singapore & Hong Kong – growth figures critical

Chinese main port Shangai was nominated for the 6th time in a row the largest container port in the world. During the first 9 months of 2010, the container volumes increased to 21.6 million TEU, or an increase of 18.5% for this year. Also some other Asian ports were performing very satisfactory growths i.e. Qingdao (+28.5%), Shenzen (+28.4%) and Busan (+21.5%).

September has been a rather weak period for the larger container ports. Most of them generated volumes 6% below their August figures. Main reason looks to be the fact the Asian peak season for this year was shorter then during previous years. Nevertheless in comparison with September 2009 there was still a growth of 11.8% according to information from French databank Alphaliner.

CMIT
Cai Mep International Terminal

Remarkable is the performance of traditional hubs like Singapore and Hong Kong. Their increase towards last years September results was under 5%. It is believed the importance of ports in the Shenzen area, Yantian, Chiwan and Shekou is growing at the expense of Hong Kong.



Also the fact that Vietnam is served directly by two services going to Northern Europe and by eight services going to the United States is having it's influence in volumes handled in Singapore and Hong Kong. Estimates have calculated that the Vietnamese port "Cai Mep near Ho Chi Minh City would handle 4.2 million TEU during 2010.

APM Terminals will start his operations in Cai Mep next year January with a new container terminal having a capacity of 1.1 million TEU. The success of the terminal will require a draft of 14 mtrs in order to handle vessels of 8.000 TEU.

Korean shipyards – prices down with 25%

In comparison with new built rates during the top years 2007/2008, recent figures have shown that prices are down today with 25%. This information was released after the order of 10 container vessels with a 13.000 TEU capacity by Zodiac Maritime with the South Korean Shipyard STX Offshore & Shipbuilding was cancelled. Today the pricing for these vessels is us dollar 125 million per vessel whereas two years ago this price was us dollar 40 million higher according to Lloyd's List.