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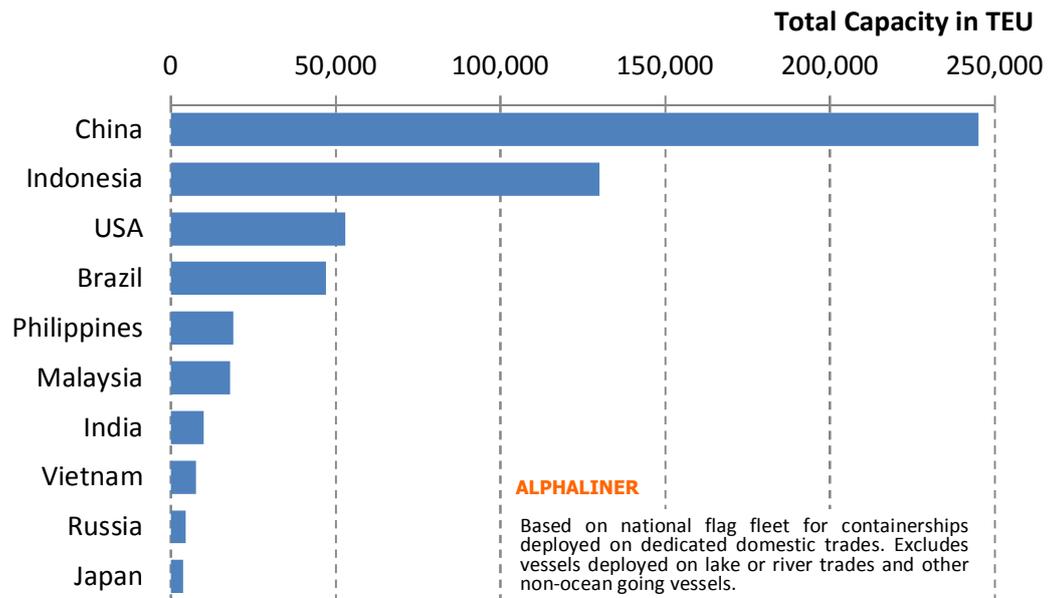
- National security was often used to justify cabotage regulations in the past. However, the impact of such rules has been to protect inefficient local industries and labour interests.
- The national security concerns as well as compatibility with local labour rules and vessel safety can all be addressed without continuing with some of the more restrictive cabotage practices currently applied.
- The cost of such protectionist shipping policies often outweighs the economic benefits to the flag carriers and local shipyards, especially for countries that require domestic ships to be built at inefficient local shipyards. It not only results in higher direct transportation costs but creates inefficiencies and distortions to the transportation network. It also has indirect environmental costs from the use of inefficient vessels and shifts cargo to less efficient inland transportation modes.
- The top four cabotage markets for containerhips account for 88% of the total fleet deployed on such trades. Of these, the largest economic impacts are in the US and China, where the inefficiencies arising from the cabotage rules cost stakeholders between \$0.6 Bn to \$1.2 Bn annually.

INSIDE THIS ISSUE:

Cost of protectionism in container shipping	1
Idle containerhip fleet remains stable at end January	4
Corporate updates	5
Hanjin sinks to full year loss of KRW 638 Bn	
Japanese carriers' container operations remain in red	
Service Updates	7
Zim to revamp FE-India-Europe service	
MOL to launch new feeder service covering Peru and Ecuador	
NileDutch to improve Abidjan coverage	
Cheng Lie adds intra Asia service through slots	
Krishnapatnam attracts two more regular services	
Delivery/New Order Updates	10
January deliveries	
Terminal Updates	11
New Cai Mep terminal adds to over-capacity woes	

Chart of the week

Top 10 Cellular Containership Fleet for Domestic Cabotage Trades by Country Flag



Paying the price for protectionist shipping policies

The World Economic Forum (WEF) has issued a report that examines supply chain barriers to international trade and concluded that they are far more significant impediments to trade than tariffs. Among the issues raised, the WEF cited national maritime cabotage policies which add to supply chain costs and logistics complexities. It said that national restrictions on domestic cabotage or the maritime transport of goods within a country's borders increase both the costs and environmental impact of transporting those goods.

Alphaliner data shows that of the total containerhip capacity of 550,000 teu deployed on domestic cabotage trades, China and Indonesia alone account respectively for 45% and 24% of the figure. Other countries with a significant maritime cabotage fleet include the USA (10%) and Brazil (9%). They are followed by the Philippines, Malaysia, India, Vietnam, Russia and Japan. The ships involved all fly the flags of the nations they serve, with exemptions granted under certain restrictions.

The WEF cites the United States' Jones Act and China's international relay regulations as examples that damage local economies and saddle businesses and consumers with significant costs. Lack of competition increases logistics costs and promotes the use of inefficient transshipment operations. In the US, the environmental costs are magnified due to the inefficiencies of maintaining a fleet of overaged ships to ply the Jones Act trades.

The carriage of cargo between the US ports on foreign-built or foreign-documented vessels is prohibited by Section 27 of the Merchant Marine Act, 1920, commonly referred to as the Jones Act.

The Jones Act is a long-standing cornerstone of US maritime policy. Under the Jones Act, all vessels transporting cargo between covered US ports must, subject to limited exceptions, be built in the US, registered under the US flag, manned by predominantly US crews, and owned and operated by US-organized companies that are controlled and 75% owned by US citizens.

US-flagged vessels are generally required to be maintained at higher standards than foreign-flagged vessels and are supervised by, as well as subject to rigorous inspections by, or on behalf of, the US Coast Guard, which requires appropriate certifications and background checks of the crew members.

Other US maritime laws require vessels operating between Guam, a US territory, and US ports to be US-flagged and predominantly US-crewed, but not US-built.

In the European Union, cabotage was fully liberalized in 1998 among the EU15 and then in 2009 with the new member states, and has been cited as a possible model for other nations to follow.

Despite this, certain restrictions also apply within the EU but they have a limited impact as far as containerships are concerned. Several EU Member States require an EU flag for the ships trading between national ports.

In practice, this concerns a few feeder vessels plying feeder/regional services between two or three EU countries, with a segment involving links between national ports, mostly France, Spain or Italy.

Although the US Jones' Act fleet only accounts for 10% of the total capacity of containerships used in cabotage trades, its impact is disproportionately higher due to the requirement for vessels to be US-built, unlike most other countries which do not require ships to be of domestic construction. The cost of building ships in the US is prohibitively high, at up to five times the cost of similar ships built in Asia.

The environmental costs due to the use of fuel inefficient and over-aged vessels in the US were not quantified by the WEF. 20 out of the 25 US-flagged Jones Act containerships were built before 1987, with the oldest unit, the steam-powered HORIZON CHALLENGER, now approaching 45 years of age.

US Flagged Jones Act Containership Fleet (Cellular units only)

Vessel name	TEU	Year	Age	Yard	Operator	Route
HORIZON CHALLENGER	1,442	1968	45	Sun Shipyard	Horizon Lines	USG/PR
HORIZON DISCOVERY	1,424	1968	45	Sun Shipyard	Horizon Lines	Laid up
LIHUE	1,979	1971	42	Avondale Shipyard	Matson	Laid up
HORIZON NAVIGATOR	2,386	1972	41	Ingalls	Horizon Lines	USEC/PR
HORIZON TRADER	2,386	1973	40	Ingalls	Horizon Lines	Florida/PR
HORIZON CONSUMER	1,751	1973	40	Bethlehem	Horizon Lines	Laid up
HORIZON FAIRBANKS	1,476	1973	40	Ingalls	Horizon Lines	Laid up
HORIZON HAWAII	1,420	1973	40	Ingalls	Horizon Lines	Laid up
HORIZON PRODUCER	1,751	1974	39	Bethlehem	Horizon Lines	Laid up
MAUI	1,644	1978	35	Bath Iron Works	Matson	USWC/Hawaii
HORIZON PACIFIC	2,407	1979	34	Bethlehem	Horizon Lines	WCNA/Hawaii
HORIZON SPIRIT	2,653	1980	33	Avondale Shipyard	Horizon Lines	WCNA/Hawaii
HORIZON ENTERPRISE	2,407	1980	33	Bethlehem	Horizon Lines	WCNA/Hawaii
KAUAI	1,644	1980	33	Sun Shipyard	Matson	USWC/Hawaii
HORIZON RELIANCE	2,653	1981	32	Avondale Shipyard	Horizon Lines	WCNA/Hawaii
MANOA	2,824	1982	31	Avondale Shipyard	Matson	USWC/Hawaii
MAHIMAHI	2,824	1982	31	Avondale Shipyard	Matson	USWC/Hawaii
HORIZON ANCHORAGE	1,668	1987	26	Bay SB	Horizon Lines	USWC/Alaska
HORIZON TACOMA	1,668	1987	26	Bay SB	Horizon Lines	USWC/Alaska
HORIZON KODIAK	1,668	1987	26	Bay SB	Horizon Lines	USWC/Alaska
R.J. PFEIFFER	2,245	1992	21	NASSCO	Matson	USWC/Hawaii/FE
MANUKAI	2,890	2003	10	Kvaerner-Philadelphia	Matson	USWC/Hawaii/FE
MAUNAWILI	2,890	2004	9	Kvaerner-Philadelphia	Matson	USWC/Hawaii/FE
MANULANI	2,890	2005	8	Kvaerner-Philadelphia	Matson	USWC/Hawaii/FE
MAUNALEI	2,526	2006	7	Aker Philadelphia	Matson	USWC/Hawaii/FE

Despite the economic benefits to flag carriers and local shipyards, the cost of the Jones Act on its own domestic consumers are high. A 2002 study by the US International Trade Commission suggests that repealing the Jones Act would have an annual positive welfare effect of \$656 M, while an earlier study from 1996 suggests that the economic benefits could be as much as \$1.3 Bn a year (although these savings are not limited to container ships).

In addition, such protectionist measures are difficult to justify under national security reasons, as the WEF points out that, "a prudent approach that gradually relaxes the strictest regulations could help open markets to competition without putting security at risk. For example, the US could continue mandating national flags but remove other Jones Act restrictions."

Indonesia is the second largest cabotage market for container-ships, with the total capacity of Indonesian flagged ships deployed on domestic trades growing by 59% in the last two years from 82,000 teu in January 2011 to 130,000 teu in 2013.

The fleet growth was led by the three main domestic carriers, (Meratus, Salam Pasific and Tanto Intim) who have been some of the most active buyers of second-hand containership units in the last two years.

Main Indonesian domestic shipping lines :Fleet Operated 2013 vs 2011



The benefits of liberalization of cabotage rules in Indonesia would be lower, as it does not impose requirements for vessels engaged in domestic trades to be locally built.

Also, as there are currently no international transshipment hubs in Indonesia, the easing of cabotage rules would not have an impact on the diversion of cargo to foreign relay ports.

In the case of China, which is currently the largest market for cabotage trade for container-ships with over 245,000 teu of Chinese-flagged ships deployed on its coastal trades, the market distortion arises mainly from restrictions on the relay of international cargo.

The WEF estimates that some 10 Mteu of Chinese cargo are currently relayed at international ports (including Hong Kong). These could be transhipped more efficiently through Chinese ports, if cabotage restrictions that currently prevent foreign flag carriers from participating in domestic links were removed. According to the WEF, that volume represents a potential income of some \$320 M for local ports with further savings of \$500 M to \$700 M per annum which could be derived by carriers and shippers from lower port charges, optimized shipping networks and lower inventory costs.

Although the WEF report did not quantify the benefits of liberalization outside of China, several other countries with restrictive transshipment rules by foreign flagged ships can also realize significant savings, though on a smaller scale. These include India and Vietnam, whose own domestic ports are losing international transshipment volumes to neighboring ports due to similar cabotage restrictions.

In the case of India, some 3 Mteu of container cargo currently transhipped via Colombo could potentially be redirected to its own transshipment facilities. While there were no suitable transshipment hubs in India before, the opening of the Vallarpadam International Container Transshipment Terminal (ICTT) in 2012 provided an opportunity for India to review its position. However, efforts to relax the cabotage rules have been slow and the move is currently limited to a single port which the WEF points out is “hardly a systemic solution and one that illustrates the challenges of appeasing competing interests.” Vallarpadam has not yet been able to attract any transshipment volumes to its terminal so far.

For Vietnam, the relaxation of cabotage rules could generate up to 0.5 Mteu of transshipment volumes from north and central Vietnamese ports for the Cai Mep terminals, which are currently under-utilized. However, the Vietnamese government took a step backwards when it suspended cabotage licences for international relay containers from January 2013 following pressure from owners of Vietnamese-flagged container ships that want to return to the domestic trade after other markets dipped.

The difficulties in overcoming vested local interests would make steps toward liberalization of maritime cabotage rules difficult.

However, the US and China could set a global example for other nations to follow.

IDLE FLEET UPDATES

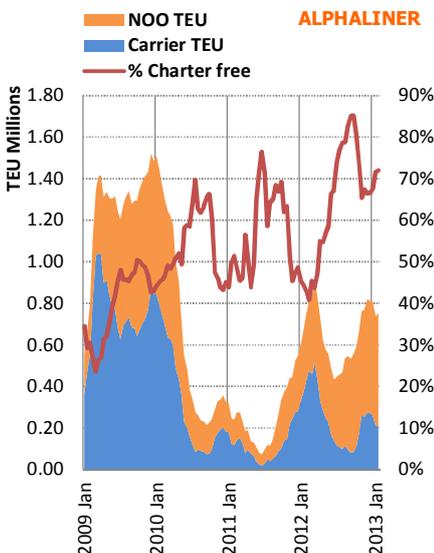
**Idle containership > 500 teu
Breakdown as at 28 Jan 2013**

TEU Range	Units idle	of which, NOO Units	%
500-999	57	52	91%
1,000-1,999	57	51	89%
2,000-2,999	67	62	93%
3,000-4,999	73	55	75%
5,000-7,499	16	9	56%
7,500 & over	8	0	0%
Total	278	229	82%

Change in idle units since 14 Jan 2013

TEU Range	28 Jan 2013	14 Jan 2013	Change
500-999	57	58	-1
1,000-1,999	57	60	-3
2,000-2,999	67	69	-2
3,000-4,999	73	77	-4
5,000-7,499	16	15	1
7,500 & over	8	4	4
Total	278	283	-5

**Idle capacity
Breakdown by carrier vs NOO
2009-2013**



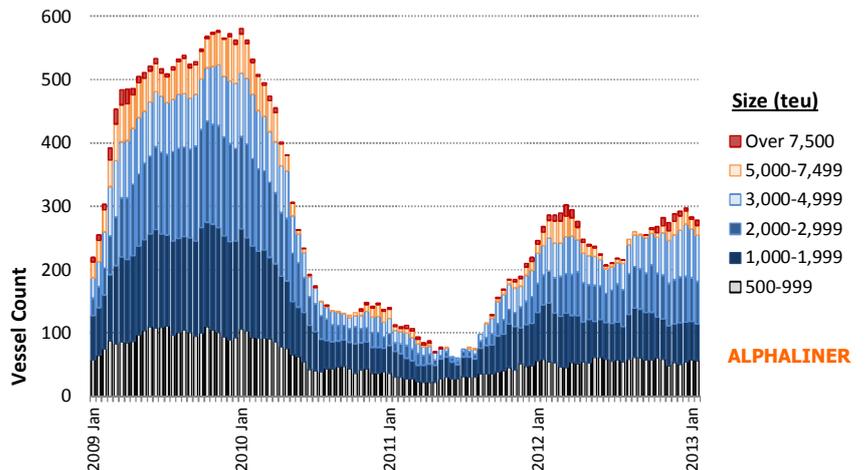
Idle containership remains stable at end January

The idle fleet of containerships above 500 teu has reached 278 units for 754,000 teu as at 28 January 2013, representing 4.6% of the global cellular fleet.

The number of idle units above 7,500 teu have increased by 4 units in the last fortnight as new deliveries of vessels of over 10,000 teu have pushed out some of the smaller units, leaving a number of them unemployed.

The idle units for the other size segments remained largely unchanged compared to two weeks earlier as the heavier demand during pre-Lunar New Year period in the Far East kept most of the existing vessels employed, if only for the short term.

Idle containership breakdown by size range : 2009-2013



New vessel deliveries in January have reached 16 units for 91,300 teu, with a large number of new vessels that are already completed at shipyards awaiting commissioning. Despite brisk demolition activity for containerships with over 40,000 teu sent for scrap in January, the overall capacity increase will continue to weigh heavily on the market in the next few months, until activity picks up in the summer.

The non-operating owner (NOO) segment remains under pressure with 229 out of the 278 idle vessels being charter-free NOO units. Attention was recently focused on the pressure to sell German-controlled containerships, including 14 units managed by C.P. Offen, as durable depressed charter rates have eroded the reserves of owners.

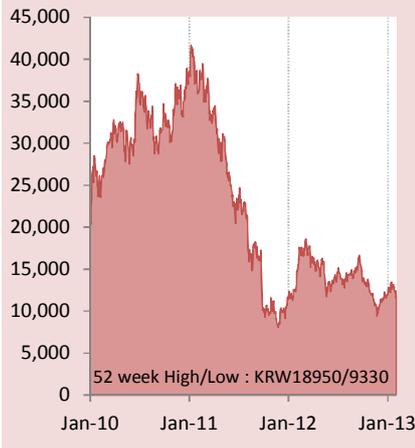
The idle fleet is expected to rise further in February with a number of void sailings planned for the post-Lunar New Year holiday period in the Far East, although super slow steaming on backhaul trips to push the loop rotation cycles by one week could avoid excessive idling until the full sailings resume in March.

CORPORATE UPDATES

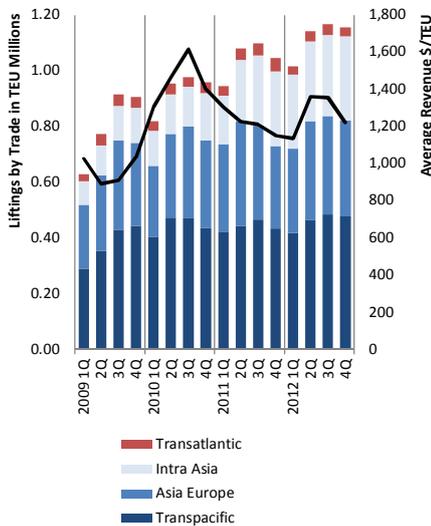
Hanjin Shipping Financial Results 2012 vs 2011

In KRW Bn	2012	2011
Sales	10,589	9,523
(Container B.U.)	(8,722)	(7,615)
Operating Profit	-110	-513
(Container B.U.)	(-163)	(564)
Net Loss	-638	-824
Container Liftings (Mteu)	4.477	4.167

Hanjin Shg Share Price 2010-2013 KRW



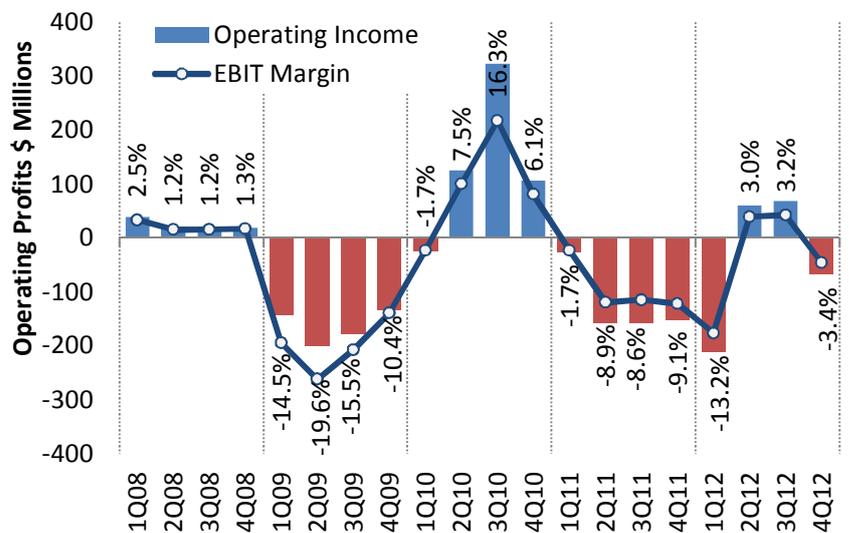
Hanjin Shipping : Container liftings breakdown by trade & average revenue per teu by quarter (2009-2012)



Hanjin sinks to full year loss of KRW 638 Bn

Hanjin Shipping has posted a net loss of KRW 638 Bn (\$565 M) for 2012, after being dragged down by weak fourth quarter operating results and exchange rate losses from the stronger Korean won. Consolidated operating losses reached KRW -110 Bn (\$-97 M), with losses coming entirely from its container shipping unit which posted an operating loss of KRW -163 Bn (\$-144 M) while its bulk shipping and other related businesses posted operating profits of KRW 53 Bn (\$47 M).

Hanjin Shipping Container Shipping Unit : Operating Profits by Quarter



Hanjin's container shipping operations reported an operating loss of KRW 61 Bn in the fourth quarter, reversing two previous quarters of profits. Despite a 10.7% increase in liftings to 1.155 Mteu in the fourth quarter compared to the same period last year, it was unable to bring average freight rates above breakeven. Average rates were about 10% lower than the third quarter, as rates dropped across the board in all main trades.

Are carriers running out of ideas on returning to profitability?

Hanjin's statement Jan 2012 after operating losses of KRW 564 Bn in 2011 :

"For the container business, there has been success in increasing freight rates at the beginning of the year and shipping carriers will continue to improve their profitability by increasing rates through service rationalization and taking various measures to reduce costs."

Hanjin's statement Jan 2013 after operating losses of KRW 163 Bn in 2012:

"Supply-heavy market will persist in the container sector due to the continuation of new mega-vessel deliveries. However, the economic recovery of the U.S. and China with Europe's financial crisis stabilizing is expected to raise the shipment volume and the carriers are to continue from last year the various supply-control strategies such as early scrapping of uneconomic vessels, continuation of slow steaming, service rationalization, idling and temporary voyage cancellation. Hence, profitability is expected to improve because of timely rate restoration by maintaining high operating rate and because of cost-reduction efforts."

K Line Share Price 2009-2013
JPY



MOL Share Price 2009-2013
JPY



NYK Share Price 2009-2013
JPY



Japanese carriers' container operations remain in red

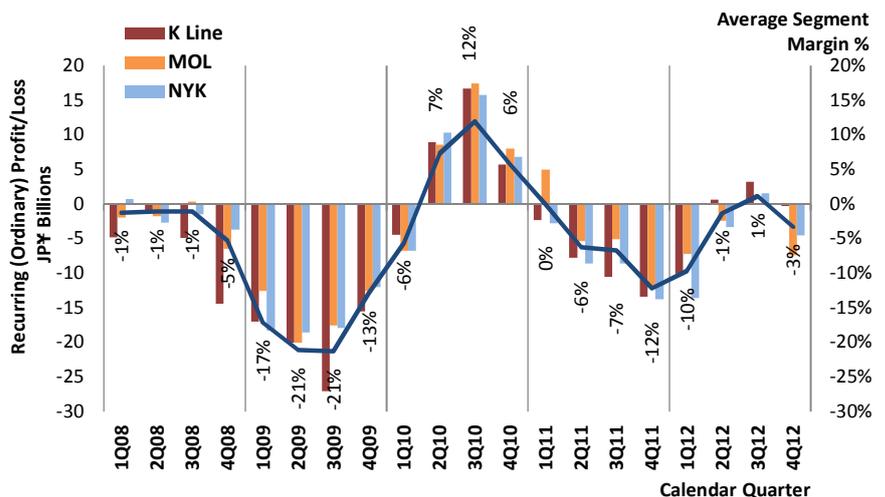
The three main Japanese carriers were unable to maintain profitable operations on their container shipping units in the fourth quarter of 2012 (fiscal third quarter for Japanese carriers' accounting year ending March 2013). K Line, MOL and NYK have all reported recurring ordinary losses for the fourth quarter, with each of the three carriers suffering cumulative losses for the four quarters of 2012.

K Line posted an ordinary loss of JPY -0.27 Bn (\$-3.3 M) for its container shipping business during the fourth quarter, bringing the cumulative ordinary losses for the four quarters of 2012 to JPY -6.60 Bn (\$-83 M).

MOL posted an ordinary loss of JPY -7.4 Bn (\$-91 M) for its container shipping unit in the fourth quarter. Cumulative losses for the four quarters of 2012 reached JPY -17.3 Bn (\$-215 M).

NYK reported an ordinary loss of JPY -4.6 Bn (\$-57 M) for its container shipping operations in the fourth quarter. It brings the total losses in the four quarters of 2012 to JPY -20.0 Bn (\$-251 M), making it the worst performer amongst the Japanese carriers last year. However, NYK's container shipping segment excludes earnings from its container terminal and logistics business while K Line and MOL includes these businesses under their container shipping business units, thus making direct comparisons imprecise.

Japanese Carriers : Ordinary Income by Quarter : 2008-2012



K Line results include logistics unit from 2Q 2012; include terminals
 MOL results include logistics unit; include terminals
 NYK results exclude logistics units; exclude terminals

Ordinary Income in JPY	1Q12	2Q12	3Q12	4Q12
K Line	-10.1	0.6	3.2	-0.3
MOL	-7.3	-2.5	-0.2	-7.4
NYK	-13.6	-3.3	1.5	-4.6

SERVICE UPDATES

Zim : New AME Service Details

AME (From Feb 2013)
Vessels Deployed:
8 x 3,400 teu
Port Rotation
Alexandria, Ashdod, Haifa, Mersin, Haifa, Port Kelang, Xiamen, Shanghai, Dachan Bay, Port Kelang, Nhava Sheva, Mundra, Alexandria
<u>Previous rotation until Jan 2013</u> Felixstowe, Antwerp, Hamburg, Limassol, Haifa, Ashdod, Port Kelang, Xiamen, Shanghai, Dachan Bay, Port Kelang, Nhava Sheva, Mundra, Haifa, Ashdod, Felixstowe

Zim had previously operated a direct standalone FE-North Europe service between January 2008 and October 2008, with the EWX (East-West Express) service using 4,200-5,000 teu ships. It had planned the EWX to prepare the ground for the introduction of eight 10,000 teu ships between mid-2009 and mid-2010.

These plans were disrupted by the 2009 financial crisis and Zim subsequently deployed two of these ships on the joint FE-North Europe CES 2/AEX 2 service with Evergreen and CSCL launched in April 2011 while two additional 10,000 teu ships were chartered out to Evergreen.

The last four 10,000 teu orders were subsequently converted into 8,800 teu ships with their deliveries deferred to 2015.

Zim to revamp FE-India-Europe service

Zim is to split its Far East-India-Med-North Europe 'AME' service into two loops, with one loop focusing on the Far East-India-Eastern Med sector and the other loop connecting Eastern Med to North Europe through an enhanced partnership with MSC involving the existing 'Israel Express' loop. In addition, Zim will take slots on Maersk Line's 'EuroMed' service which Zim will brand 'NE 2'.

The existing North Europe-Eastern Med 'Israel Express' was so far ensured through slots on the MSC service, which will be revised to include ports hitherto served by Zim with the AME and with Zim bringing a ship of 5,500 teu on this five-ship service. This ship is believed to be the 5,527 teu ANGUILA, taken on charter by Zim in China and currently proceeding to the Med through a westbound trip on the EMX .

The truncated AME will drop its North European port calls at Felixstowe, Antwerp and Hamburg as well as the call at Limassol in Cyprus. It will turn around at Mersin (a new call), offering direct connections between this Turkish port and the Far East as well as encompassing an Israel-Mersin-Israel string thanks to a double call at Haifa. The revised AME will call at Alexandria, Ashdod, Haifa, Mersin, Haifa, Port Kelang, Xiamen, Shanghai, Dachan Bay, Port Kelang, Nhava Sheva, Mundra, Alexandria. It will use 8 ships of 3,400 teu compared to the 11 ships currently used on the old AME rotation.

The revised 'Israel Express' will serve Felixtowe, Rotterdam, Hamburg, Antwerp, Le Havre, Ashdod, Alexandria, Haifa, Ashdod, Valencia, Felixtowe. The NE 2 (ensured through slots on Maersk's 'EuroMed') covers Felixstowe, Rotterdam, Bremerhaven, Antwerp, Marsaxlokk, Haifa, Limassol, Alexandria, Ashdod, Salerno, Felixstowe.

The termination of AME's North Europe calls will leave Zim with only two direct Asia-North Europe connections through slots on CSCL's AEX 1 and as a vessel operator on the CES 2/AEX 2 service jointly operated with CSCL and Evergreen. However, it will not have any significant impact on overall slot capacity on the FE-North Europe route as the AME was operated mainly as a multi-trade service combining a Far East-India-Med link with a Med-North Europe loop.

**MOL : Guayaquil Paita Express
Service Details**

GPX (New from Feb 2013)
Vessels Deployed:
1 x 1,350 teu
Port Rotation
Balboa, Guayaquil, Paita, Balboa

**NileDutch : West Europe-West Africa
Service Details**

West Europe-West Africa Service
Vessels Deployed:
6 x 2,500-3,000 teu (10 days freq) Upgraded to 7 ships (9 days freq)
Port Rotation
Antwerp, Le Havre, Leixoes, Lisbon, Abidjan (from April), Pointe Noire, Luanda, Lobito, Abidjan (1/2 - from April), Antwerp

MOL to launch new feeder service covering Peru and Ecuador

MOL is to launch a feeder service connecting the Balboa hub to Guayaquil and Paita, branded 'Guayaquil Paita Express' (GPX). It will turn in one week with the chartered 1,350 teu MAGARI, which is fitted with 449 reefer plugs to handle the high reefer volumes of bananas and other fruits loaded at Guayaquil and Paita and the frozen seafood loaded at Paita. The first sailing is planned from Balboa on 10 February.

MOL covers already Paita with a feeder service operated jointly with APL (PAX/ACW) and through slots on the new APL's WCX relay service (branded ECX by MOL), both also hubbing at Balboa. The GPX, PAX/ACW and WCX/ECX connect at Balboa with two major New World Alliance services covering Europe, Asia, USWC and USEC, the APX and NYX.

NileDutch to improve Abidjan coverage

NileDutch is to improve its Abidjan coverage with the addition of this port to its Europe-West Africa service. NileDutch will also connect East Asia and Brazil to Abidjan through transshipment at Pointe Noire to/from its Far East-Africa service and its ECSA-West Africa service (ensured jointly with CMA CGM-Delmas). The first southbound sailing to Abidjan will be offered from Antwerp on 1 April.

The rotation will stand as follows : Antwerp, Le Havre, Leixoes, Lisbon, Abidjan, Pointe Noire, Luanda, Lobito, Abidjan (1/2), Antwerp. The duration of the rotation will be slightly increased from around 60-62 days to around 65 days while a seventh ship is added. sailings will be offered every 9 days on average against every 10 days so far.

The ships used are geared units of 2,500 to 3,000 teu.

**CNC : China-Vietnam/Thailand/
Indonesia Service Details**

VTI
Vessels Deployed:
Slots on SITC
Port Rotation
Ningbo, Shanghai, Xiamen, Ho Chi Minh City (Cat Lai), Laem Chabang, Jakarta, Ningbo

Cheng Lie adds intra Asia service through slots

Cheng Lie Navigation Co (CNC), the intra-Asia arm of CMA CGM, is to add a new intra Asia service connecting China, Vietnam, Thailand and Indonesia. It will be ensured through slots on SITC's existing VTI service. It connects Ningbo, Shanghai, Xiamen, Ho Chi Minh City (Cat Lai), Laem Chabang, Jakarta, Ningbo. It turns in three weeks with three ships of 1,400-1,500 teu. The first Cheng Lie sailing is planned from Ningbo on 23 February.

Krishnapatnam attracts two more regular services

The deep sea port of Krishnapatnam, located on the India eastern coast (80 miles north of Chennai), has become a regular call on Maersk Line's 'Chennai Express' service, which connects the Far East to Eastern India (CHX), and on the Straits-Thailand-Chennai 'Thai-Chennai Express' pendulum run by X-Press Feeders, NYK and RCL (TCX/RTC/RMA).

The first regular Maersk CHX call occurred on 29 January with the 4,224 teu JERVIS BAY, who handled 626 teu.

Krishnapatnam has been already served since September 2012 by the Straits-East India relay service operated jointly by APL, Bengal Tiger Line, Interasia Line and Wan Hai, with OOCL and HubLine taking slots. In October 2012, MSC added the port to its Colombo-East India feeder service, ensured with the 1,684 teu BUXHILL.

Prior to these regular calls, the Krishnapatnam terminal had handled irregular vessel calls since its opening in September 2011, with the inaugural call of the MAERSK DALTON.

DELIVERY UPDATES

Cellular Containerships Deliveries
January 2013

Name	Teu	Operator
NYK HELIOS	13,208	NYK
OOCL MIAMI	8,888	OOCL
MSC ANTIGUA	8,762	MSC
MSC ALBANY	8,762	MSC
MSC ANCHORAGE	8,762	MSC
MAERSK LANCO	8,700	Maersk
EVER LEADER	8,452	Evergreen
MARY	6,673	Maersk
HANJIN AQUA	4,532	Hanjin Shg
MAERSK CADIZ	4,496	Maersk
SEBASTIAO CABOTO	3,765	Aliança
HANJIN TURKEY	3,560	Hanjin Shg
TZINI	1,756	CNC
REN JIAN GUANG-ZHOU	1,744	Quanzhou An Sheng
MCC MUARA	1,714	MCC
NEW MING ZHOU 12	1,100	NOSCO

The AAL MELBOURNE (multipurpose) is delivered - Joins HMM

Schoeller Holdings has received last week the AAL MELBOURNE, seventh of ten multipurpose cargo vessels of 31,000 tdw (with a container intake of up to 2,029 teu), ordered in December 2007 at the Shandong Huanghai Shipbuilding Co's Rongfeng shipyard. These ten ships are equipped with four cranes, two of which with a lifting capacity of 350 tons, combinable to handle loads of up to 700 tons.

The AAL MELBOURNE has been chartered out to Hyundai Merchant Marine, which has renamed her HYUNDAI INCHEON. She is expected to join the HMM breakbulk services, connecting Korea to the rest of Asia, including the Middle East. Despite their high container intake, these ships are not aimed at carrying containers but are destined to the transport of steel, machinery, project cargoes and other breakbulk cargoes (therefore they are excluded from the Alphaliner container fleet statistics as are many other container capable breakbulk ships not interfering with container trades, in order to not distort figures).

The KOTA BUANA (mpp) is delivered

PIL has received the KOTA BUANA, third of four multipurpose cargo vessels of 27,000 tdw with a container intake of up to 1,400 teu, ordered in October 2010 at the Kouan shipyard for its East Asia-West Africa multipurpose service. The KOTA BUANA is part of a multipurpose cargo vessel newbuilding program ordered by PIL and the associated investment vehicle Pacific Shipping Trust at the Dalian shipyard and Kouan Shipyard. She follows the KOTA BINTANG, delivered in September.

ERRATA : Correction of Terminal Link interests acquired by CMHI (published in 2013 Issue 5)

Terminal	Terminal Link Share % (Est)
Le Havre: Terminaux Nord	50.0%
Le Havre: Terminal de France	50.0%

TERMINAL UPDATES

Since the first two terminals in Cai Mep-Thi Vai was launched in May 2009, the south Vietnamese port has been plagued by over-capacity.

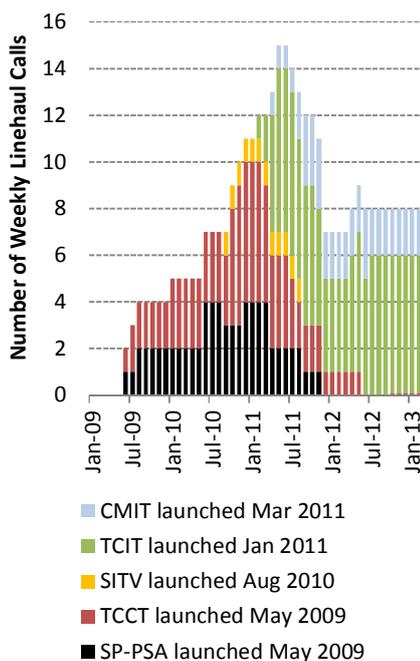
Five terminals are currently in operation, which a sixth terminal is operationally ready but still waiting to secure its first customer.

A seventh terminal was inaugurated last week, further worsening the over-supply situation.

Based on Alphaliner's projections, the southern Vietnam port over-supply problem is expected to last beyond 2020.

This has already prompted two foreign terminal operators to abandon their port projects in South Vietnam - CMA CGM's Gemalink terminal project in Cai Mep and China Merchant's terminal project in Vung Tau.

Cai Mep—Thi Vai Ports Weekly vessel calls by terminal 2009-2013



New Cai Mep terminal adds to over-capacity woes

The opening of the seventh container terminal in Cai Mep later this year is expected to worsen the port over-capacity situation in South Vietnam. The Cai Mep-Thi Vai International Container Terminal (CTICT) was inaugurated last week, but will officially start commercial operations in six months after contractors completed the final installation of equipment. The terminal was built at a cost of VND 12.9 trillion (\$620 M) and was jointly financed by the Vietnamese government with Japanese Official Development Assistance (ODA) funds.

Although the Vietnamese Ministry of Transport has suggested that the terminal would ease congestion in southern Vietnam, the reality is that the terminal capacity is severely under-utilized. Unlike the situation in 2004-6 when all the major terminal operators flocked to secure a foothold in Vietnam, the newly inaugurated terminal has not been able to secure an operator. Although NYK was initially chosen to operate the port, it has declined to participate in the project due to concerns over the over-supply at the terminal complex located some 90 km from Ho Chi Minh City.

Two of the existing terminals in Cai Mep-Thi Vai, the PSA operated SP-PSA terminal and the Hutchison operated SITV terminal are no longer receiving regular containership calls, while the Saigon New Port operated TCCT receives only one regular container vessel call every 10 weeks. Two other neighboring terminals, the Hanjin/MOL/Wan Hai operated TICT and the APMT operated CITV, receives regular vessel calls but are operating at a loss due to low stevedorage rates brought about by the severe competition. At sixth terminal, the SSA operated SSIT, whose construction was completed since late last year, has not officially commenced operations as it has not been able to secure any business.

Based on Alphaliner's projections, the total supply of container handling capacity in southern Vietnam's ports currently stand at 12 Mteu and would reach 14 Mteu by 2015 while demand has only reached 5 Mteu in 2012, with the over-supply expected to last beyond 2020.

Over-supply in South Vietnam to worsen

