

CSAV beats Maersk in reliability

Drewry study puts Chilean line top of league as Danish giant slips in first quarter of 2011

GAVIN VAN MARLE

CSAV is now the world's most reliable deepsea container carrier, according to the latest research from Drewry Shipping Consultants, knocking Maersk Line off from its customary perch.

Simon Heaney, editor of the consultant's quarterly Schedule Reliability Insight, said that Maersk had come top in 11 of the last 12 editions, but in the first quarter of this year the number of its vessels calling on schedule had slipped from 70.2% to 66.4%.

"We have noticed over the course of this research that there tends to be seasonal fall-off in reliability in the first quarter of the year," Mr Heaney said.

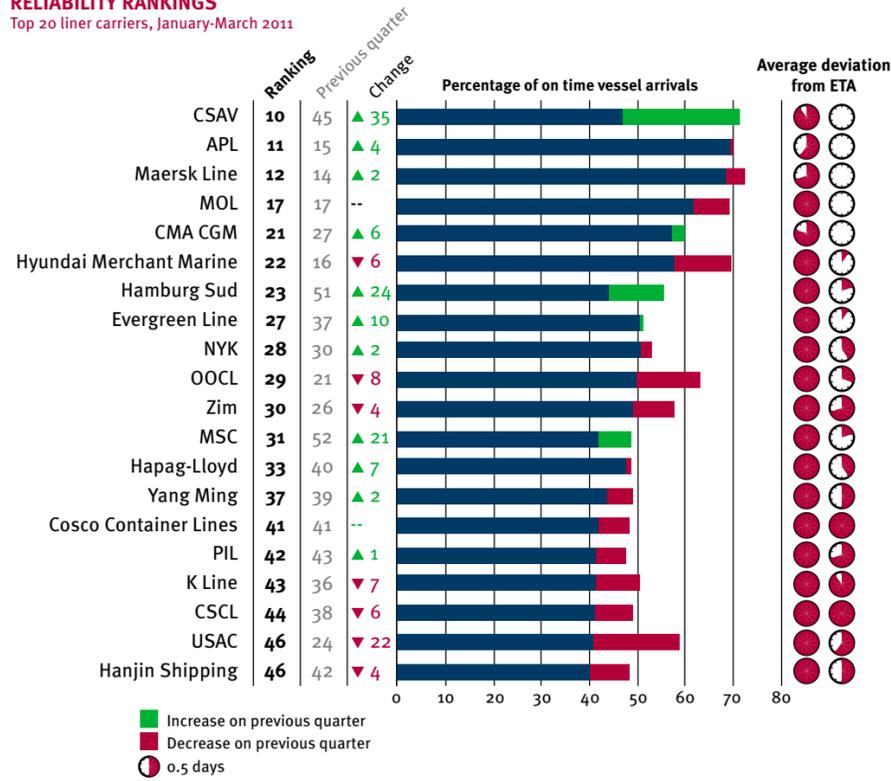
A major factor at that time of year is that it is commonly a period when lines are changing their services and vessels are being moved from one service to another.

It is also a common time for lines to send vessels into dry dock, while winter conditions also have an adverse affect on punctuality.

"It may simply be that Maersk was caught out by some of these issues," Mr Heaney said.

RELIABILITY RANKINGS

Top 20 liner carriers, January-March 2011



Source: Drewry Maritime Research

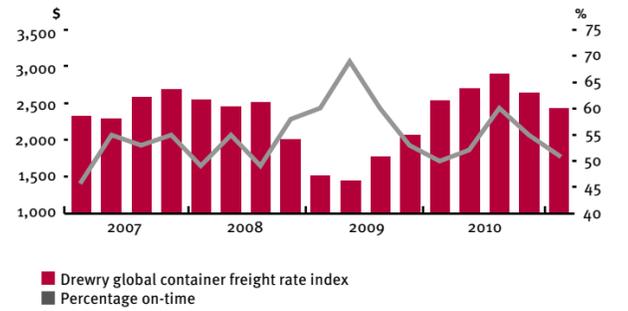
Meanwhile, CSAV showed a remarkable improvement in its reliability, which shot up from 45.5% in the last quarter of 2010 to

69.1% in the first quarter of this year. However, in terms of all carriers studied in the report that performance only put it as the

tenth most reliable carrier, with smaller, niche players taking the top nine places.

Mr Heaney said the most

CONTAINER SERVICE RELIABILITY AND FREIGHT RATES



Source: Drewry Maritime Research

reliable carrier was UK-based Borchard Lines, which achieved a 100% on-time record on its seven intra-Europe services.

It was followed by Alianca, Horizon Lines, Jakarta Lloyd, Matson and US Lines.

The number of vessels from the 20 largest carriers arriving at port on time was down from 55% in the previous quarter to 51% in the latest quarter, and reliability was down on all the major east-west trades – from 64% to 55% on the transpacific; from 50% to 49% on Asia-Europe; and 55% to 52% on the transatlantic.

Mr Heaney also noted a correlation between lower reliability levels and lower freight rates, although he declined to accuse carriers of deliberately disregarding shippers because

they were paying lower rates. "Drewry cannot speculate whether carriers are consciously rewarding or punishing their customers with varying service quality dependent on prices, but it can be assumed

The most reliable carrier was Borchard Lines, which achieved a 100% on-time record

that low rates reduce the incentive to deliver above-average service reliability.

"Compounding the problem, escalating fuel prices mean that carriers are probably less inclined right now to speed up if the ship falls behind schedule," he said.

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Essar confirms company split

INDIA'S Essar Group has confirmed that it is to split its shipping and ports subsidiary into two separate entities in an effort to tighten the focus of possible investors into the respective companies, writes Gavin van Marle.

"The ports and terminals business and the shipping and logistics business and the oilfields drilling business each have tremendous growth and profitability potential and require focused leadership and

management attention," a statement to the Bombay Stock Exchange said.

"The nature of risk and competition involved in each of these businesses is distinct and is capable of attracting a different set of investors, strategic partners, lenders and other stakeholders.

"There are also differences in the manner in which each of these businesses are required to be managed," it continued.

Under the terms of the

demerger, Essar Shipping, Ports & Logistics, listed separately on the Bombay Stock Exchange from parent Essar Group, will cease to trade, and will instead be split into two firms, with one concentrating on the ports and terminals business, and the other on shipping and oilfields services.

Existing shareholders will receive two shares in Essar Ports and one share in Essar Shipping, Logistics and Oilfields for every three shares they currently hold.

Likewise the existing capital of ESPL – Rs6.15bn (\$137.6m) – will be split on a 2:1 ratio, with Essar Ports having a capital of Rs4.1bn and Essar Shipping a capital of Rs2.1bn.

Essar Ports will continue to be listed while a separate listing is being prepared for Essar Shipping, and the company said it expects it to be trading next month after "completing the formalities of listing".

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Asia boosts Deutsche Post DHL revenues

FIRST-quarter group revenues at the world's largest forwarder, Deutsche Post DHL, increased by 6.9% on the back of strong volumes in Asia, while lower freight rates and the absence of restructuring costs improved operating margins, writes Gavin van Marle.

The group recorded €12.8bn (\$18.4bn) of revenues in the first three months of the year, up from the €12bn posted at the same time last year.

Earnings before interest and tax increased by 22.9% to reach €629m compared to €512m last

year with DHL's forwarding operations contributing over half of that, with the remainder coming from its mail and express divisions.

Chief executive Frank Appel said that the full-year 2011 group ebit is expected to be €2.2-2.4bn, with freight revenues contributing €1.6bn-€1.7bn.

Revenues in its global freight forwarding division rose by 14.9% to reach €3.6bn on the back of increased air and ocean freight volumes.

Ebit increased by 30.2% from €53m last year to €69m in the first

three months of this year. Ocean freight volumes rose slightly by 1.7% to 648,000 teu compared to 637,000 teu last year, which the company was mainly due to the fact that most post-recession restocking of inventory levels was completed last year.

However, ocean freight revenues increased markedly, by 24.8% to €877m despite freight rates declining on individual lanes and gross profit increased by 10.8%.

In a letter to shareholders Dr Appel wrote that the board is expecting growth to continue for

the remainder of the year following last year's restructuring of its businesses.

"The challenges we faced in the past are now behind us," he wrote in the letter.

"We have completed the majority of our restructuring initiatives, we have developed innovative products and have streamlined and optimised our processes.

"Now we are focusing all efforts on profitable growth.

"Asia remains the key for our express and logistics business."

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Antwerp in talks to link with Chongqing by land-only train

THE port of Antwerp and European intermodal operator Hupac are in talks with shippers to develop a new all-land rail connection between the Chinese city of Chongqing and the Belgian port, writes Gavin van Marle.

With Chongqing an increasing focus of many of the world's major multinational consumer goods manufacturers, municipality officials have told Port of Antwerp representatives that there was enough westbound cargo out of Chongqing, but they were concerned there would not be enough for the backhaul leg.

"Now Antwerp has found some interested companies for this," a port spokesman said. "Others will undoubtedly follow."

Port authority president Marc van Peel said shipping lines should not view the development as competition for cargo.

"The maritime companies from the port have nothing to fear," he said. "After all, the rail connection will be complementary to maritime flows and in this way even generate extra maritime traffic."

Previous rail links between Asia

and Europe have been targeted at hi-tech shippers, such as the DB Schenker TransEurasian Express service launched in 2008 with Fujitsu-Siemens as trial customer.

The electronics manufacturer had previously found container shipping to be too slow, but wanted to cut down on the high cost of air freight.

Chinese air freight executives said that as many as 20m notebook computers were due to be shipped out of Chongqing this year alone.

In the Antwerp venture, Hupac operates services out of the port's Combinant terminal to Poland and Russia, while its partners Russkaya Troyka and Eurasia Good Transport control the transport between Russia and China.

Meanwhile, Belgian customs officials are trying to create an international "green lane" for shippers, as the service may pass through as many as five different customs regimes. Belgian customs project manager Christiane Verlent is holding negotiations with Chinese counterparts in Chongqing.

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Merck to turn focus on carriers' carbon footprint

A LEADING shipper plans to demand information about carriers' carbon dioxide emissions in the near future, writes Patrick Hagen in Cologne.

"This will be a first step," said Rüdiger Grigoleit, vice-president distribution at chemicals and pharmaceuticals producer Merck. "We need to have a figure first before we can ask for cuts in emissions later."

He added that his company might ask carriers for such information by next year. "Not every carrier is able to provide this information at the moment," he said.

However, Merck cannot base its decision for a certain carrier solely on information about emissions.

"We ship acids and bases and we need carriers that are able to guarantee their secure shipping," said Mr Grigoleit.

Merck uses only a handful of container lines, which Mr Grigoleit would not name.

Mr Grigoleit is also chairman of Germany's shippers' association Deutsches Seeverladerkomitee, which is part of the German industry umbrella organisation BDI.

He is worried about container lines' current behaviour. He fears

they are about to start a price war to gain market share.

"The situation now looming on the containership market is not in our interest," Mr Grigoleit said.

"We are interested in continuity and low deviations in performance, service and rates," he said.

Shippers know from experience that falling freight rates not only mean they have lower transport costs but also that carriers cut costs massively, which in turn affects the quality of service.

"We would prefer to have price adjustments done in a controlled manner within a certain scope without having to be worried about

quality," said Mr Grigoleit. He is worried about the high number of new vessels that have recently been delivered to container lines and owners or due for delivery in the next few months.

"We have just grown accustomed to slow steaming and might have to revisit the quality of service very shortly," he said.

However, while there was some irritation over schedules in the beginning, German shippers have accepted slow steaming and expect that the reduced travel speed is here to stay, according to Mr Grigoleit.

There are indeed higher capital costs involved for shippers as the

cargo is en route for a longer period but there was no alternative, he said. Mr Grigoleit expected that slow steaming would remain even if interest rates go up. "This is not such a big problem," he said.

The main problem with slow steaming occurred in the past when lines changed their schedules abruptly without informing their customers. "Then, carriers have only hesitantly provided information," Mr Grigoleit said.

"Generally, carriers' information policies leave room for improvement," he said. "They often make unilateral decisions that also affect us."

Regarding the growing threat of piracy for international shipping, German shippers share the anger of shipowners about the current situation.

Rerouting ships around the Cape of Good Hope, as suggested by the German government's national maritime co-ordinator earlier this year, was not a viable alternative.

"Much more needs to be done," he said.

Mr Grigoleit added that he will take part in the German maritime conference later this month to discuss this topic with owners and the government.

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