

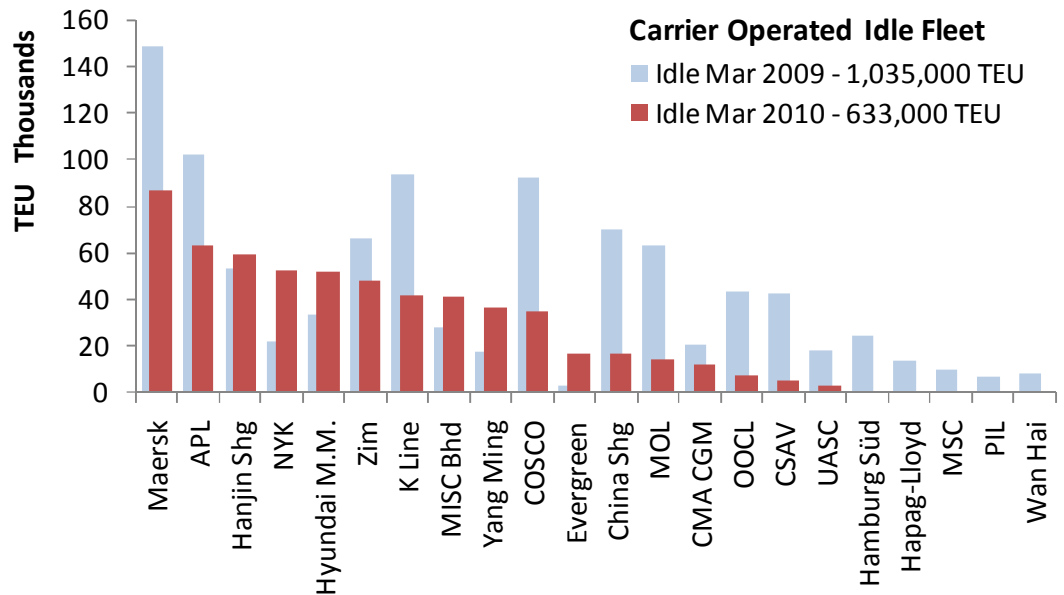


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- The carrier-operated idle fleet has dropped from 1.04 Mteu to 0.63 Mteu over the last 12 months
- Carriers have actively reduced the idled tonnage through the return of surplus tonnage upon expiry of charters and the sale or scrapping of older vessels.
- Further re-activation of idled tonnage over the next 2 months could see the idled carrier fleet fall below 350,000 teu

Chart of the week

Carrier-Operated Idle Fleet 2010 vs. 2009



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Reactivation of laid up vessels to deplete idle fleet

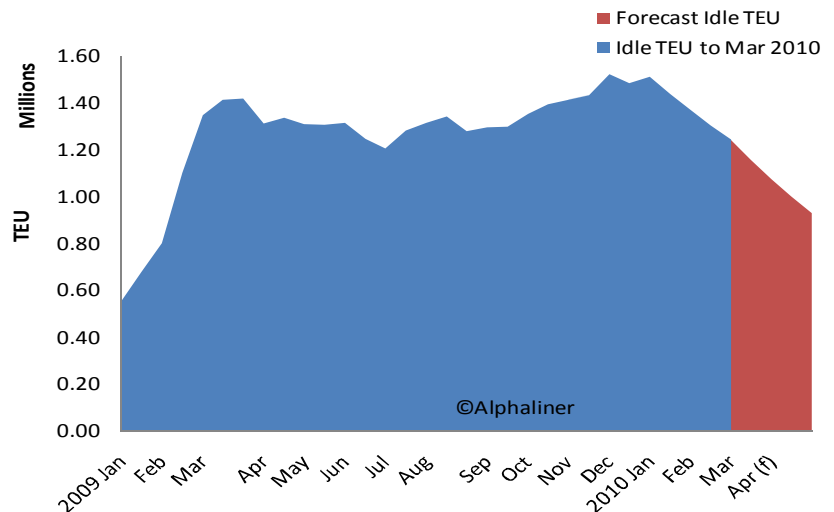
The fleet of idle containerships will diminish over the next two months as previously laid up vessels will return to active service with the introduction of new services, capacity upgrades on a few loops, and additional extra slow steaming. These moves could lead to the employment of about 40 additional ships of over 3,500 teu by the end of April, with more than 15 units drawn from the current pool of idle ships (the others will be delivered ex yard or freed up by their current charterers).

Carriers are gearing up for the summer shipping season with optimism nurtured by a revived demand in most main tradelanes. Charter market ships of 4,000-5,500 teu are now becoming harder to find after a wave of charters for such ships in the past few weeks. A number of carrier-controlled units of 4,000-7,000 teu currently remain idle, but some of these could be re-activated at short notice, if justified by the demand growth.

The idle fleet as at 1 March 2010 stood at 1.24 Mteu or 9.4% of the cellular containership fleet, the lowest level since July 2009 based on Alphaliner's records. Hopefully, the idle fleet could fall below 1 Mteu within the next two months as new services and additional demand created by extra slow steaming continue to absorb surplus ships and with a few idle veterans of 2,500-4,000 teu scrapped.

The recent surge in cargo volumes as well as increased vessel demand due to the slow steaming effect have led to a reduction in the idle fleet since December 2009.

The continued high demand for vessels could see the idle fleet fall below 1 Mteu by the end of April – down to the level observed in February 2009.



Idle containership fleet evolution 2009-2010

A raft of new services are to be launched in March and April, focused primarily on Asia. Currently, two new Asia-Europe strings and two Asia-US Transpacific strings are confirmed. Over the same period, several intra-Asia services will be launched or upgraded capacity-wise. Additional services are planned and they are expected to be announced soon. A few ships in cold lay-up are to be reactivated in this respect

Chartering pressure for units above 4,000 teu has progressively reduced supply. This has led to a rise in charter rates over recent weeks for the 4,000-5,500 teu segment. In February, five ships of 5,500-6,500 teu were fixed for 12-month-periods at rates averaging \$12,000/day. 25 units of 4,000-5,100 teu have been fixed for 6-12-month-periods at rates reaching \$7,500-8,700, and even \$ 10,000 in one case. This is the first time in the past year that panamax rates passed the \$7,000 teu level. Availability of large ships has tightened and is expected to remain tight in the short term. Smaller vessel sizes also enjoy some of the benefits of the stronger demand, though rate rises are comparatively lesser than for the large ships (although the fall was more modest). There is however still a huge overhang of 2,000-3,000 teu ships which weighs on rates for this particular segment. Ships of 1,000-1,700 teu should fare better than their slightly larger counterparts, due to a rise in feeder demand.

Maersk Line has on its side started to fix ships for periods reaching five years at relatively modest rates, in anticipation of a rate increase. Maersk is thus hedging its position against much higher future rates. Owners which accept such modest rates are immediately rewarded by rates at 50% above today's depressed charters, but the rates could be well below the levels that might be negotiated in one or two years' time. Much higher rates is at least what some owners expect in negotiating options attached to 12-months charter at rates well above the current ones.

The pick up in demand has led to a minor recovery in charter rates across all vessel segments, led by the large vessel

