

**The Shipping
and Charter market**
for container
and tanker ships

Last updated: July 2010

Content

- The global economy
- The global merchant fleet
- Container shipping
- Tanker shipping
- Maritime parameter conditions
- Prospects

The global economy

After the worst recession for decades reached its lowest ebb in the year 2009, the extensive governmental economic stimulus programmes as well as the low interest rate policy are now showing effect. The signs of an economic turnaround that have been evident since mid-2009 are being increasingly confirmed. In the first quarter of 2010, the recovery in the euro zone and in the USA even turned out to be strong. According to the experts of the International Monetary Fund (IMF), the rest of the world is also apparently overcoming the pit of the slump faster than had initially been expected, but to different extents and at different speeds in the individual economic regions. The IMF corrected its originally predicted global economic growth of 3.1 % for the current year upwards to 4.2 % and is forecasting growth of 4.3 % for the year 2011.

In the wake of the growth of the global economy, a gradual upward trend is also to be expected for global trade. After the latter slumped by more than 10 % in the year 2009, the analysts are again predicting growth of 7.0 % for the year 2010 as well as of 6.1 % for the year 2011.

According to an IMF forecast, the most important industrial nations and communities of states will again be able to record economic growth for the year 2010. Expectations are that the economic recovery of the advanced industrial nations will progress more slowly while the economic activities of the threshold countries will develop more dynamically and more strongly. In this context, the role of the emerging economies of Asia must be emphasised – especially China proved to be a stabilising factor in the crisis.

In the year 2009, in contrast to the other industrial nations the development of the Chinese economy reached a plus of 8.7 %. In its forecast dating from April 2010, the IMF put expected economic growth for China in 2010 at 10.0 % and in 2011 at 9.9 %.

According to predictions regarding the number of containers handled containing Chinese exports, in the current year it is assumed that this will grow by 19 %, with imports growing by as much as 25 %. According to some analysts, growing inner-Asian trade and the China-ASEAN free trade agreement that came into force in January 2010 are likely to increase Chinese imports from neighbouring countries by 25 %. For the first time in six years the official news agency Xinhua reports a trade deficit in March 2010 of EUR 5.4 billion, which is also accounted for by the enormous imports of raw materials.

The way of the United States of America out of the recession is taking on increasingly concrete form. After a weak year 2009 with a decline in growth of 2.4 %, the initiated measures are now taking effect through extensive state economic stimulus programmes and improved financial parameter conditions. For the year 2010, the IMF is forecasting economic growth of 3.1 %, and puts growth in 2011 at 2.6 %.

At present the European economy is losing dynamic impetus. To compensate for this, at the last EU Meeting of the heads of state and heads of government it was agreed to maintain the economic stimulus programmes until the economic recovery could be considered to be assured. In the year 2009, the euro zone lost economic strength. Moderate growth of 1.0 % is expected in 2010 and of 1.5 % in 2011.

After a very difficult year 2009 for Germany with a decline in the economic result of 5.0 %, here too as in the USA the economic stimulus programmes involving a total outlay of EUR 85 billion are now beginning to bite. For the current year, the IMF is again predicting growth in economic performance of 1.2 %, and expects this to continue in 2011 at 1.7 %. The renewed rise in demand from Asia is again providing grounds for increasing optimism in the container trade.

Economic growth

(GDP) in %	2008	2009	2010*	2011*
USA	+ 0.4	- 2.4	+ 3.1	+ 2.6
China	+ 9.6	+ 8.7	+ 10.0	+ 9.9
Japan	- 1.2	- 5.2	+ 1.9	+ 2.0
India	+ 7.3	+ 5.7	+ 8.8	+ 8.4
Russia	+ 5.6	- 7.9	+ 4.0	+ 3.3
Brazil	+ 5.1	- 0.2	+ 5.5	+ 4.1
Europ. Union	+ 0.6	- 4.1	+ 1.0	+ 1.5
Germany	+ 1.2	- 5.0	+ 1.2	+ 1.7
Latin America	+ 4.3	- 1.8	+ 4.0	+ 4.0
Whole world	+ 3.0	- 0.6	+ 4.2	+ 4.3
Global trade	+ 2.8	- 10.7	+ 7.0	+ 6.1

Source: IMF Database, World Economic Outlook, April 2010
* forecast

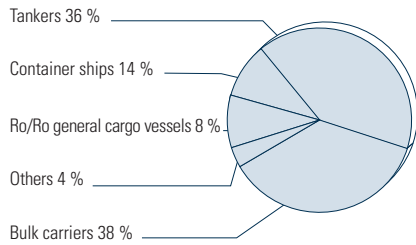
The global merchant fleet

More than 95 % of intercontinental trade goes by sea. To handle this, at the end of 2009 there were more than 53,912 ships in service worldwide that are bigger than 100 gt and are not fishing vessels, tugs or other water craft. Across all ship types, the global merchant fleet grew by 7.0 % over the prior year to reach a total deadweight tonnage of almost 1,236 million tdw.

In the past few years the global merchant fleet has grown continuously together with the volume of cargo. When the global economic crisis started, the cargo volumes of raw materials began to shrink enormously, especially in container traffic. The various ship segments were burdened by overcapacities of different magnitudes that demanded countermeasures. Consequently for example newbuilding programmes were stopped or orders were converted to other ship segments and obsolete ships were increasingly scrapped. In container shipping, more tonnage was scrapped in 2009 than in the years from 2000 to 2008 taken together.

Global merchant fleet 2009

by deadweight tonnage



Source: Clarkson Shipping Intelligence Weekly, May 2010

In terms of the number of ships, the tankers and bulk carriers account for the largest shares of the global merchant fleet. In terms of deadweight tonnage (tdw), bulk carriers currently lead the fleet with 38 % (see chart).

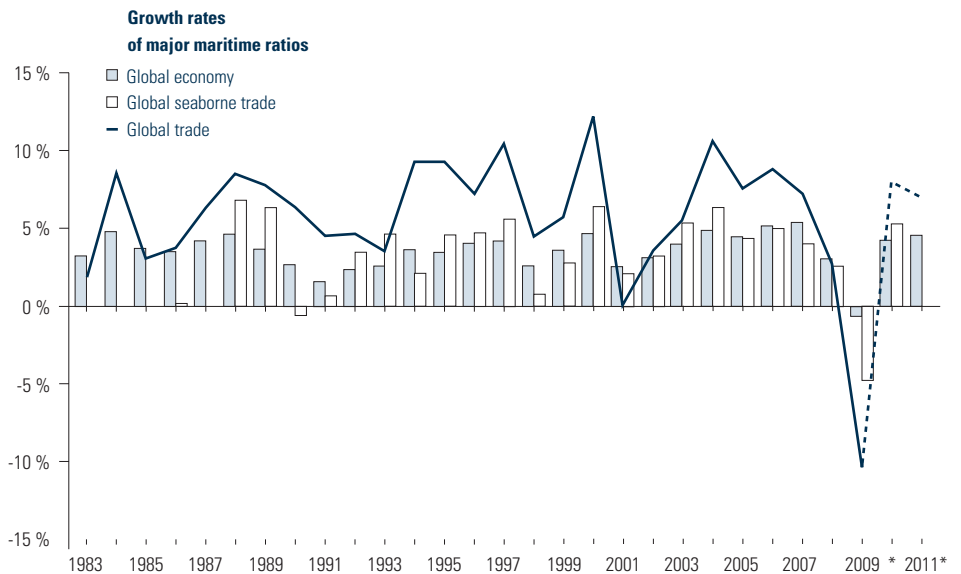
Container shipping

In the past 30 years, it has in particular been container shipping that has benefited from globalisation and from the ongoing growth of transports in containers. In the past, the growth rates of container traffic have always been higher than those of the global economy and of global trade.

The annual growth rate of container handling in the past 20 years averaged approx. 10 %. As a direct consequence of the waning global economy and of the decline in global trade, 2009 was the first year in which the global volume of container handling decreased. As compared with 2008 this dropped from 499 million TEU (twenty foot equivalent unit) to 449 million TEU – this corresponds to decrease in container handling by 50 million TEU. With the recovery of global trade since the beginning of the year, the volume of container handling has picked up again and Clarkson Research predicts growth of some 6.5 % to a total of 478 million TEU for the year 2010. For the following year, Clarkson is currently forecasting an increase to as many as 523 million TEU handled, which would correspond to further growth of approx. 9.5 %.

The global container ship fleet

The ongoing growth of the fleet of container ship tonnage continues in the year 2009. However, demand for container tonnage was greatly reduced in the light of the downswing in global trade and the consequence for shipowners was that planned ship deliveries were postponed, construction contracts were converted to other types of ship or completely cancelled in attempts to counteract the pending overcapacity.



Source: IMF und Clarkson, April 2010

* forecast

The analysts at Clarkson estimate that 45 % of the orders for container ships that were originally to have been delivered in 2009 were not completed within the envisaged time frame. For the segment under 1,000 TEU, this figure increases to as much as 70 %. According to a prediction by Alphaliner, the increase in tonnage was expected to be 13.4 % and thus surpass the figure for the prior year by 0.2 %. In fact however, growth of the fleet turned out to be lower. Alphaliner has currently corrected its assessment for the year 2009 to a growth figure of only 5.6 %. This low figure was in the end also reached as a result of the postponements of deliveries of tonnage in 2009, in which case this effect does not represent any long-term easing of the situation in the container market.

The chart below provides an overview of delivered and pending TEU capacities in per cent as well as in million TEU in terms of global tonnage. For the years 2009 to 2012, the changed predictions are shown in a second bar chart and indicate the postponement and/or the change with regard to the planned delivery of container tonnage.

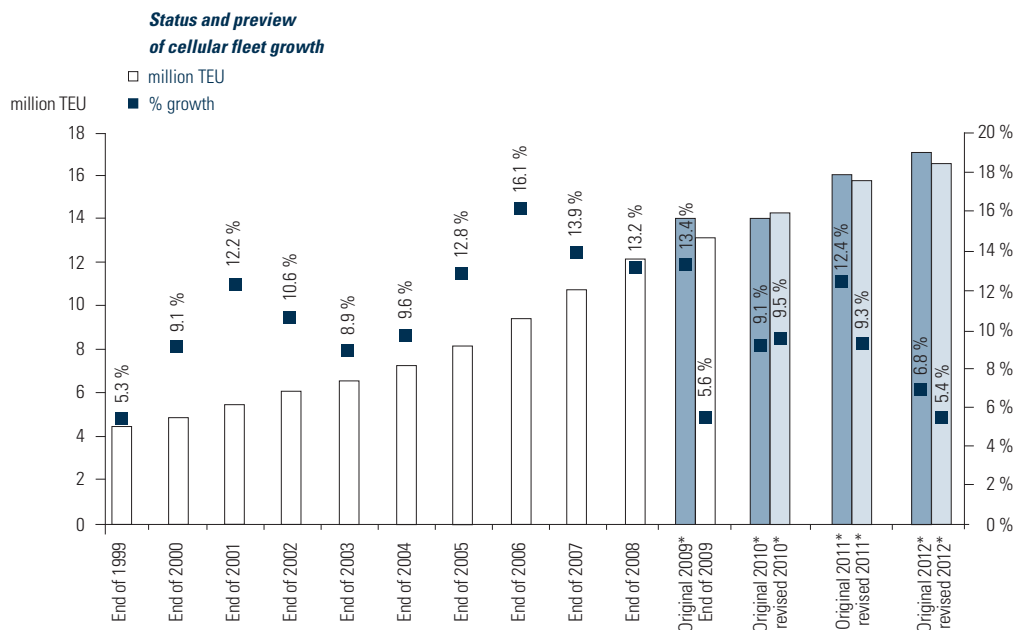
The scrapping of old tonnage in 2009 is also having a positive effect on slowing growth of the fleet. A total capacity of 364,000 TEU was scrapped, which corresponds to a scrapping quota in global tonnage of some 2.9 %.

In the development of the order book of the global container ship fleet it can be seen that the trend to ever larger ships is continuing. The average size of ships in service is some 2,754 TEU; in contrast the ships under construction have an average size of approx. 5,885 TEU.

The overall capacity of the ordered newbuildings in April 2008 was still 61 % of the global fleet in operation and shrank as a consequence of cancellations, conversions of orders and postponements to a present figure of 34 % of the global fleet currently in service. Except for two relatively small feeder ships, no further orders for container ships have been received by the shipyards world-wide since the end of September 2008.

The charter market

The charter market for container ships was at a historically low level for new contracts throughout the year 2009. The rates achieved could not cover the operating costs in any of the segments. The stabilisation of the global economy and the associated resurgence of global trade have put an end to the negative trend since the beginning of December 2009. Economic stimulus measures of the various governments supported the national economies and in particular countries in Asia, above all China, returned more or less to their former growth rates. This has led to increased transport volumes for the liner shipping companies and since about the beginning of November 2009 capacity utilisation on the ships is again very high.



Source: AXS-Alphaliner, May 2010
* forecast

It was possible to achieve the so important increases in freight rates step by step through the scarcity of tonnage. The growth in the volume of cargo in the last two months of the year 2009 roughly corresponded to an increase of 15-20 % in comparison with the same months of the year 2008.

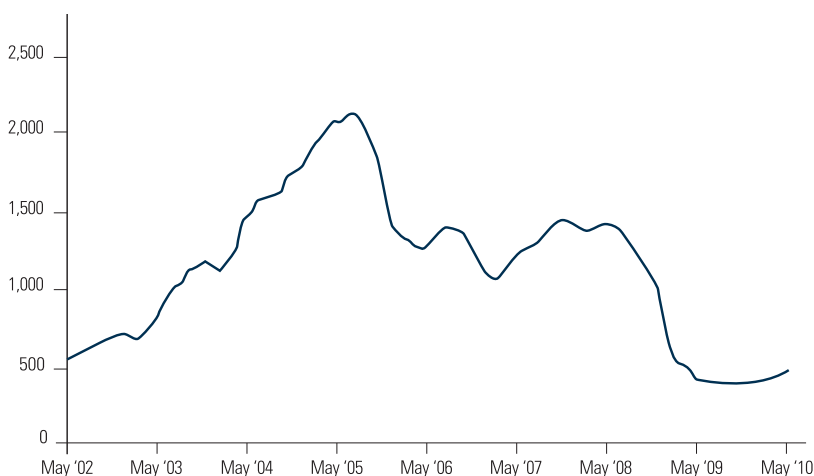
The market was given further support through a higher level of scrapping of some 2.9 % of the fleet as well as through drastic cost-cutting measures of the lines in connection with fuels. The so-called "slow steaming" of the ships in the liner services on the one hand significantly reduces fuel consumption of the ships and on the other hand it ensures additional demand for tonnage in order to guarantee the frequency of sailings in the shipping services. Slow steaming generated an additional need for tonnage of approx. 2-3 %. There was consequently increased demand in the market for ships over 3,500 TEU, which has led to slowly improved charter rates in this segment that meanwhile are again higher than the level of operating costs. Smaller ships that can be deployed in niche services were also able to benefit from improved conditions within the Asian trades, albeit at rates that continue to be lower than the operating costs.

Even so it is still not possible to speak of a recovery of the charter markets as the over-capacities built up through the year 2009 in the form of laid-up ships are only slowly being reduced. Whereas in January 2010 581 container ships with a capacity of 1.51 million TEU, corresponding to 11.6 % of the global fleet, were still without employment, the share of laid-up container ships then shrank to 263 units with a capacity of 549,000 TEU or 4.1 % of the global fleet. This is the lowest figure recorded by Alphaliner since the beginning of February 2009. The average length of the agreed charter periods overall size classes in an overall view of the year 2009 was 130 days.

The following data from the Howe Robinson Containership Charter Hire Index taken together reflect the development of rates for container ships up to and including the Panmax-size class. The Howe Robinson Containership Charter Hire Index started the year 2009 at 487 points. After that the Index fell by more than 30 % and in November it reached its provisional lowest figure since recording began at 329 points.

Contrary to the original forecast that in 2010 a slight improvement in charter rates would not set in until the end of the year, there are now signs of a substantially earlier recovery. After the index had hovered around the level of some 333 points for almost three months, since the beginning of 2010 it has risen slightly but continuously. On 31st May 2010 the index was published at 497 points – and still going up.

Howe Robinson Containership Charter Hire Index
of the last 8 years



Source: Howe Robinson, Containership Weekly update, May 2010

As Hanseatic Lloyd Chartering is not only responsible for the chartering out of the Hanseatic Lloyd Panmax container ships but is also exclusively responsible for chartering out the Hansa Mare fleet, this charter market report will take a closer look at the development of the ships starting from the Panmax class and going down to the 1,000 TEU class.

The development of charter rates for container ships of the 4,000 TEU class

In the Panmax class (3,900 to 5,100 TEU), charter agreements were concluded only very sporadically in the year 2009. The charter periods fluctuated between one to max. six months and the charter rates persisted at a low level between USD 5,800 and USD 6,500 gross p.d. The liner shipping companies let charter contracts expire in order to keep their own tonnage in employment. Since the beginning of 2010, the number of charter contracts concluded has risen again, although until the end of February 2010 the achievable charter rates remained at the level of the year 2009. In March of this year, the rates increased significantly reflecting the upsurge in demand and at the end of May 2010 they had reached approx. USD 22,000 gross p.d. for twelve-month contracts with an ongoing rising trend.

At present 659 ships in the size class from 3,900 to 5,100 TEU are in operation world-wide, of which one ship is currently not chartered out and a further 28 are without employment. Of 121 ordered newbuildings scheduled for delivery by the year 2012, 21 ships are currently without a charter.

The development of the charter rates for container ships of the 3,000 TEU class

Charters were only concluded very sporadically in this size class in the year 2009. Here too, the liner shipping companies were letting more and more charter contracts expire to be able to employ their own tonnage, which added further to the number of unemployed ships.

The charter periods were very short at up to six months. At the beginning of the year the charter rates initially reached a level of approx. USD 8,000 p.d., which weakened to approx. USD 5,000 gross p.d. by mid-year. In November 2009, the rates level fell further to approx. USD 4,500 gross p.d. and stayed at this level until March 2010. The liner shipping companies were chartering ships for flexible charter periods from two to twelve months or were booking charter ships for individual round trips. A slight recovery in demand since the start of the year 2010 can be explained by an improvement of conditions in the whole market, however this segment is still the worst affected by overcapacities. Charter rates in this class are making progress – even if very slowly – and are currently in the region of approx. USD 7,000 gross p.d. for charter periods of twelve months.

At present, 545 ships in the size class from 2,400 to 2,999 TEU are in operation world-wide, of which 40 ships are currently not chartered out and a further 29 are without employment. Of 35 newbuildings scheduled for delivery by the year 2012, 23 ships are currently without a charter.

The development of the charter rates for container ships of the 1,700 TEU class

The work horse among the feeder ships, the segment of the 1,700 TEU size class, had to overcome severe cuts in rates in the reporting year 2009. When any new charter contracts were concluded, the charter periods were very short at one to six months. Whereas rates of approx. USD 5,000 to 6,000 gross p.d. were being achieved at the start of the year 2009, by the end of the year the rates level had fallen to approx. USD 4,100 gross p.d. May 2010 saw the charter rates rise to approx. USD 5,500 gross p.d. and the charter periods lengthened to up to twelve months.

Currently 501 ships are in operation world-wide in the size class from 1,470 to 1,799 TEU, of which 39 ships are not chartered out at the moment and a further 17 are without employment. Of 25 newbuildings scheduled for delivery by the year 2012, 19 ships are currently without a charter.

The development of the charter rates for container ships of the 1,000 TEU class

For this size class, the year 2009 started with achievable daily charter rates of approx. USD 4,000 to 4,250 p.d. and ended with a very weak level of approx. USD 3,600 gross p.d., substantially lower than the ship operating costs. As in the 1,700 TEU class, the charter periods were extremely short at one to six months, and here too in some cases the ships were only chartered for individual short trips. In view of the abundant supply, the charterers were able to choose the tonnage entirely in accordance with their requirements and gave preference to modern tonnage that frequently also offered lower consumption in comparison with the older ships. The number of older ships without employment soared. The first quarter of the year 2010 shows a similar picture. As a result of somewhat improved conditions in Asian short-sea traffic, the achievable charter rates in this segment rose to approx. USD 5,000 gross p.d. and the charter periods lengthened to up to twelve months. Even so the achievable charter rates for the feeder class will only improve slowly in the short to medium term.

At present 733 ships in the size class from 830 to 1,199 TEU are in operation world-wide, of which 46 ships are currently not chartered out and a further 15 are without employment. Of 59 newbuildings due for delivery by the year 2012, no charter contracts have yet been concluded for 51 ships.

The tanker size classes	
	in tdw
VLCC & ULCC	> 200,000
Suezmax	130,000 to 200,000 (typical 150,000)
Aframax	80,000 to 130,000 (typical 105,000)
Panmax	60,000 to 80,000
“Handy”	30,000 to 60,000
“Small-Handy”	10,000 to 30,000

Tanker shipping

Throughout the world liquid cargoes are the goods that, in terms of quantity, are transported most. To reduce costs, for example, crude oil is transported in tankers that are as large as possible. In the transport context, as a rule the size of the ships steadily decreases from the producing country to the destination or after processing. On the other hand the requirements to be fulfilled by the equipment of a tanker when carrying already processed oil products become more stringent.

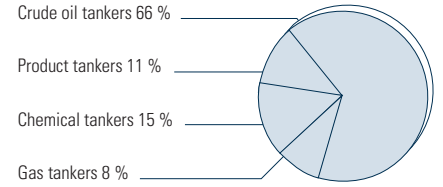
Over long distances, crude oil is transported in so-called ULCCs and VLCCs (= Ultra Large Crude Carriers and Very Large Crude Carriers). These ships have a deadweight tonnage of 200,000 tdw and more.

The medium transport distances are served by Suezmax (130,000 to 200,000 tdw) and Aframax ships (80,000 to 130,000 tdw). On the short-sea connections, Panmax tankers (60,000 to 80,000 tdw) and smaller types of ship (Handy-size or Small-Handy-size) are used.

The tanker fleet breaks down into crude oil tankers, product tankers, chemical tankers and gas tankers. But there are no rigid demarcations for cargoes of a particular tanker type. Depending on the nature of the cargo hold of the ship, already “refined products” can also be transported. Here a distinction is made between “clean products” such as naphtha, kerosene, gas oil and diesel oil and “dirty products” such as heavy oils and bitumen.

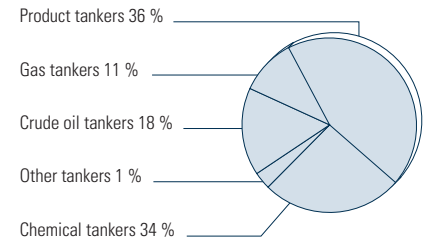
As crude oil is a mass product, crude oil tankers account for the greatest share in terms of the deadweight tonnage of all tankers at 66 % (see chart above). Ships with a large carrying capacity are especially in demand for transports from the producing country to the refinery.

Deadweight tonnage by types



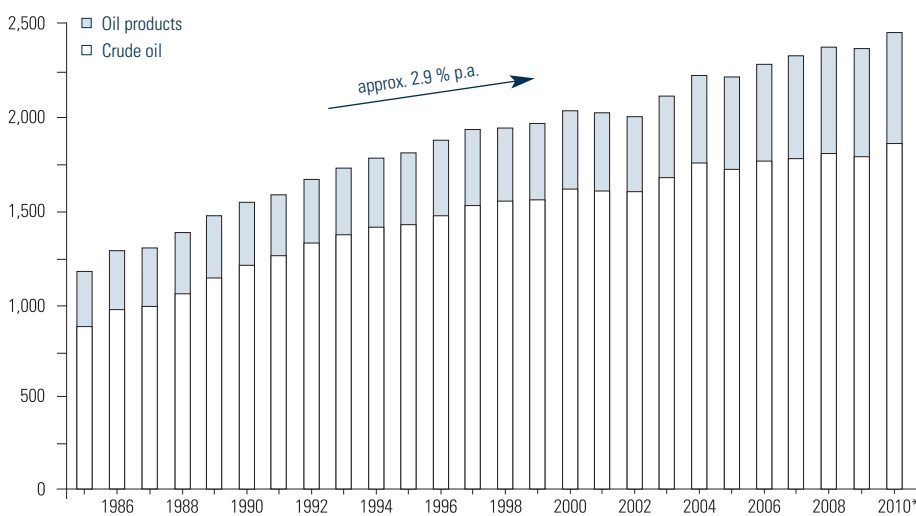
Source: VDR; Data of German Maritime Shipping, 2010 edition

Number of tankers by types



Source: VDR; Data of German Maritime Shipping, 2010 edition

Transport volumes of crude oil and oil products
in million tons



- 2005: +3.5 %
- 2006: +3.5 %
- 2007: +2.8 %
- 2008: +0.5 %
- 2009*: -1.7 %

Source: ISL, November 2009
* forecast

	VLCC & ULCC	Suezmax	Aframax	Panmax	Handy	Small-Handy
Deadweight tonnage in tdw	> 200,000	130,000-200,000	80,000-130,000	60,000-80,000	30,000-60,000	15,000-20,000
Total number of tankers	540	395	837	389	1,733	532
- of which with double hull	447	362	780	352	1,537	425
- of which single-hull tankers	93	33	57	37	196	107
- of which with double hull older than 20 years	0	9	19	12	86	17
Scrapping potential	17 %	11 %	9 %	13 %	16 %	23 %
Order book	197	153	161	84	420	146
Replacements	212 %	364 %	212 %	171 %	149 %	118 %
Forecast class growth until 2013	19 %	28 %	10 %	9 %	8 %	4 %

Source: Clarkson Research Studies, Oil & Tanker Trades Outlook, April 2010

Transporting the already processed products requires product tankers, which feature special tanks as compared with crude oil tankers. In terms of number, the product tankers make up the largest share in the tanker fleet at 36 % (see chart on page 25). This type of ship can in many cases be used universally and is required for transports to the consumer countries.

In the past liquid goods increased on average by approx. 2.9 % per year paralleling global growth. For the year 2009 the experts of the Institute of Shipping Economics and Logistics (Institut für Seeverkehrswirtschaft und Logistik, ISL) reckon with an overall decline in the transport volumes of some 1.7 %. The final results have yet to be published. For the first time since the year 2002, a decline in the transport volumes of crude oil and oil products is expected in the wake of the global economic crisis (see chart on page 25).

For 2010, the experts of the International Energy Agency (IEA) again predict an increase in global oil consumption. Whereas in 2009 only 84.9 million bpd (barrel per day) of crude oil were consumed world-wide, the IEA puts the figure for 2010 at 86.5 million bpd, corresponding to an increase in crude oil consumption of approx. 1.8 % over the prior year. This figure would again surpass the average crude oil consumption from the year 2008.

Besides the increasing transport volumes of mineral oil products, liquid goods will probably also develop positively in 2010. Experts are today assuming that all the rapeseed oil produced in the EU will be used for bio-diesel to be able to meet the requirements of the EU-Biofuel Directive. In Germany for example the share in biofuels increases by 0.25 % a year and is expected to have reached a share of 8 % of overall consumption by the end of 2014. By the year 2020, this figure is expected to rise to 10 %. The foodstuffs industry is therefore today already compelled to shop for its rapeseed oil on the international markets. This creates transport requirements, which in the opinion of the experts can be covered by Small-Handy-size tankers.

The global tanker fleet

In the tanker fleet, the number of ships in the different size classes develops depending on the trade route and corresponding orders. In terms of deadweight tonnage, 36 % of the global merchant fleet is accounted for by tankers. As of 31st December 2009 a total of 13,518 tankers with a total deadweight tonnage of 498 million tdw were in service.

The age structure of the tanker market at the end of the first quarter of 2010 is as follows: 13 % of all tankers currently in operation worldwide are more than 20 years old. The tankers of the Hanseatic Lloyd fleet belong to the group of the Panmax- and Small-Handy-size segments.

The Small-Handy segment is divided into the following four sub-sizes in terms of tdw: 10,000 to 15,000, 15,000 to 20,000, 20,000 to 25,000 and 25,000 to 30,000. The Hanseatic Lloyd tankers belong to the group of the Small-Handy-size tankers with a deadweight tonnage of 15,000 to 20,000 tdw or to the Panmax group. In the segment of these Small-Handy-size tankers, ships that are more than 20 years old account for a share of 19 % and in the segment of the Panmax tankers for a share of 10 %. The average age of the whole tanker fleet is nine years.

At present, 107 ships of the 532 tankers in the Small-Handy-size class (15,000 to 20,000 tdw) and another 37 ships of the 389 Panmax tankers still operate as single-hull tankers, which are hardly used any more by the oil majors and are therefore no longer available to the market. Furthermore, this fleet still includes 17 double-hull tankers in the Small-Handy-size segment as well as 12 in the segment of the Panmax tankers that are more than 20 years old. For economic reasons as well as in consequence of international regulations of the IMO (International Maritime Organization, a sub-organisation of the UNO) applicable to tanker shipping, the scrapping potential is as shown in the above table.

It can be seen from the current order book for tankers that newbuilding orders currently exist for all segments. The number of the new orders in the fields of the Small-Handy-size tankers (15,000 to 20,000 tdw) as well as of the Panmax tankers is however negligible and taking account of the scrapping potential, tonnage growth in these two size classes is a moderate 4 % and 9 % respectively.

This being so, the prospects of employment for these two ship classes after a recovery of the global economy must be seen as good.

The charter market

The year 2009 began relatively well for the tanker markets. The reason why they did rather better than the shipping markets of container ships or bulk carriers was a number of special effects, which however were in the final analysis destined to lose power in the medium term. On the one hand oil traders were chartering crude oil tankers in order to use them as floating storage units, which initially benefited utilisation of the fleet and thus also the charter market. On the other hand several national economies were at the same time taking advantage of the fallen oil prices to replenish their national oil reserves.

However the tanker markets came under growing pressure as the year 2009 advanced, and this also affected the Handy-size and the Panmax-size classes. The overcapacity caused by the reduced demand in the tanker markets led directly to a sharp slump in charter rates. The wide choice of tonnage inevitably increased the need for positioning trips as well as entailing waiting periods between charter trips for the tramp shipping companies and this all led to increased costs and thus a reduction of the average daily charter rates. This can be exemplified by an overview of the development of charter rates on the basis of the rates achieved by the Hanseatic Lloyd Group in the year 2009 for the Small Handy- and Panmax-size classes.

The development of charter rates for Small-Handy-size tankers

During the reporting year, the global charter markets for Small-Handy-size tankers came under heavy pressure due to the massive decline in the demand for crude oil and oil products. While in January 2009 it had still been possible to achieve net charter rates of around USD 14,500 p.d. and ship in the pool, by April this figure had dropped to an initial low of just under USD 10,000 p.d. For a short while the charter rates then managed to rally again to some USD 13,000 until July but then plummeted until the end of the year reaching a low in December 2009 of USD 3,100 p.d. This corresponds to a drop in rates of approx. 79 % in the market of the Small-Handy-size tankers.

Since the beginning of January 2010, a slight increase in demand means that higher charter rates are again being earned in the spot market and the average level of charter rates in the first quarter of 2010 was again in the region of USD 10,000 p.d. Insofar any offers for time charter contracts exist at all, in view of the parameter conditions these offer no alternative to spot business. Here long-term charter periods are being offered at very low daily charter rates of about USD 8,500 p.d., which offer no possibility of participating in a market that may recover earlier than expected. We assume that it will be possible to stabilise the results of the first quarter of 2010 over the whole year and that in 2011 a market improvement can be expected for Small-Handy-size tankers.

The development of charter rates for Panmax tankers

Also in the segment of the Panmax-size class, the markets came increasingly under pressure in the course of the year 2009. The overcapacity arising in the tanker markets due to the slump in demand led directly to a sharp fall in charter rates. After the turn of the year 2008/2009, the spot market rates of the Panmax-size class were unable to maintain the January level of some USD 22,500 p.d. and until May they dropped to about USD 8,800 p.d. In the following two months, the daily charter rates were able to recover somewhat to around USD 12,500 p.d., only to drop back again to less than USD 9,500 p.d. in August. Until December of the reporting year the daily charter rates only managed to stage a slight recovery to approx. USD 10,500 p.d., but then gradually increased in the first two months of the year 2010 to about USD 16,000 to 17,000 p.d. For the course of the year 2010 we expect to see an average daily charter rate in the Panmax tankers segment of some USD 15,000 p.d. and are still assuming that the market in the Panmax tankers segment will slowly stabilise.



Global

The idea that global efforts are required to protect the natural environment is meanwhile generally accepted. Shipping as a part of and as an essential link in the global economy already has comparatively positive environmental balance as compared with other traffic carriers simply by virtue of its so-called efficiency of masses. However ongoing technical advances offer sufficient starting points to make shipping even more environmentally-friendly. To a growing extent, the shippers are endeavouring to reduce the “ecological footprint” of their global transport chains. A number of initiatives have therefore been started all over the world to promote the dialogue between shippers and shipping companies on topics affecting the environment and to provide common starting points for reducing shipping-related environmental burdens yet further.

One initiative that is active at the global level is for example the “Clean Cargo Working Group”, the members of which represent more than 60 % of global container transports. Among the members are 14 big liner shipping companies such as APL, NYK, Hanjin or also Hapag-Lloyd and Hamburg Süd as well as 14 shippers, including DHL, Nike, Ikea and Wal Mart. Besides a reduction of the emission of greenhouse gases, the activities of the “Clean Cargo Working Group” focus among other things on efforts to achieve optimum ballast water and waste management as well as environmentally compatible handling of chemicals. Environmental management systems and ship recycling are further important topics.

The global parameter conditions relating to maritime environmental topics are formulated in the IMO. The special importance attached to maritime environmental protection is already apparent in the slogan of this international maritime shipping organisation: “Safe, Secure and Efficient Shipping on Clean Oceans.”

Maritime environmental protection covers the whole life cycle of a ship, i.e. from its construction, via the many years of operation through to its final decommissioning at the end of its economically sensible operating time. May 2009 saw the signing of a convention developed by the IMO for the environmentally compatible recycling of ships. The “Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships” is designed to raise the standards applied to the scrapping of ships. In this context it is a question among other things of the requirements that shipyards and scrapping companies must fulfil in order to be permitted to carry out the recycling of ships. In future, lists of harmful substances will be required that will provide information about the materials used on board so as to make environmentally compatible recycling possible and to prevent damage to man and nature.



Europe

In the European Union, maritime environmental protection has already been treated with high priority in recent years. For example the measures initiated to improve the safety of ship operation as a result of ship accidents off European coasts (Erika, Prestige) serve equally to protect the environment. The core tasks of the "European Maritime Safety Agency" (EMSA) set up in 2003 therefore logically also includes the topic areas "Combating of Pollution" as well as "Effective Waste Management in Maritime Transport". For the near future, EU maritime policy will in particular promote a reduction of greenhouse gas emissions of maritime transport. To this end it will be necessary to combine various bundles of measures of a technical and operational nature and furthermore to implement certain market-oriented instruments; one topic under discussion is for example incorporating maritime traffic into emissions trading. The measures of the International Maritime Organization (IMO) to reduce the emissions of sulphur and nitrogen oxides from ships are also supported by the EU, for example by designating the Baltic Sea and the North Sea as "Sulphur Emission Control Areas" (SECA), in which especially stringent requirements apply to the sulphur content in the fuel of the ships.

Germany

In Germany, protection against dangers for the marine environment and against harmful environmental influences is regulated in the "Seeaufgabengesetz". This meanwhile also includes measures in connection with the Ballast Water Convention adopted by the IMO in 2004 that serve to prevent the spread of foreign organisms by ships. This includes the inspection, approval and monitoring of systems to treat ballast water and sediments as well as of the necessary preparatory measures and international approval procedures. In the year 2009, further systems originating from Germany for the disinfection of ballast water on ships were recognised by the IMO Environmental Committee. World-wide there are now 30 ballast water disinfection systems, which were developed above all in Germany, Japan and South Korea.

Hanseatic Lloyd

Although it will be some time before the Ballast Water Convention finally comes into force, preparatory measures are already being initiated for all of the ships technically supported by Hanseatic Lloyd and are being implemented within the framework of the scheduled dry dock overhauls. Also in the field of ongoing improvement in attaining environmental objectives, Hanseatic Lloyd takes a proactive approach: the environment management system on the basis of the international standard ISO 14001 is implemented and certified. With the environmental management system to ISO 14001 the numerous individual activities in the field of environmental protection on board and ashore at Hanseatic Lloyd are integrated into an overall system. By means of a permanent feedback control loop between the planning, implementation and monitoring of environmental targets that is described within the framework of ISO 14001, it is guaranteed that the environmental objectives at Hanseatic Lloyd will still retain their great importance in the future.



Global

“Go to sea!” – this was the title of a global campaign that was started in autumn 2008 and continued throughout the year 2009 under which a number of measures were implemented that were designed to draw attention to the good career prospects for seamen. The IMO as well as all well-known international shipping associations are participating in the various high-profile publicity activities as also are the labour unions.

In the last comprehensive joint labour market survey of the shipping organisations BIMCO (The Baltic and International Maritime Council) and ISF (International Shipping Federation) dating from the year 2005, the global maritime labour market was estimated at 466,000 officers and 721,000 ratings. The predictions made in the BIMCO/ISF study with regard to the demand for maritime personnel in the year 2015 taking a global view foresee no problems pertaining to ratings, but indicated a shortfall of 27,000 officers.

This is aggravated by the fact that the age structure among the officers makes it an urgent necessity to take steps now to ensure an adequate supply of maritime personnel in the future. It must not be assumed that the need for ship's officers will fall as a result of the past difficult years in global shipping; an update of the BIMCO/ISF study is scheduled for the year 2010 and will provide more exact data in this regard.

Europe

The strengthening of the professions and of employment in the various maritime sectors also numbers among the core tasks of the integrated marine policy of the European Union. In the strategic targets and recommendations for the maritime transport policies of the EU formulated by the EU Commission in 2009, the “topic of people” is discussed with a high priority. In order to make jobs on board of ships even more attractive the objective is to improve the quality of life at sea; special attention in this connection is paid to the potential of the satellite broad-band communications services, from which significant advances in the field of private communications as well as in the field of internet based further training are expected. Properly trained mariners guarantee environmentally compatible and safe ship operation. The world-wide inspections of maritime training institutions were systematically continued by the “European Maritime Safety Agency” (EMSA). These inspections are designed to ensure that the level of training of the seamen corresponds to the requirements of the internationally valid “Standards for Training and Watchkeeping” (STCW).

Germany

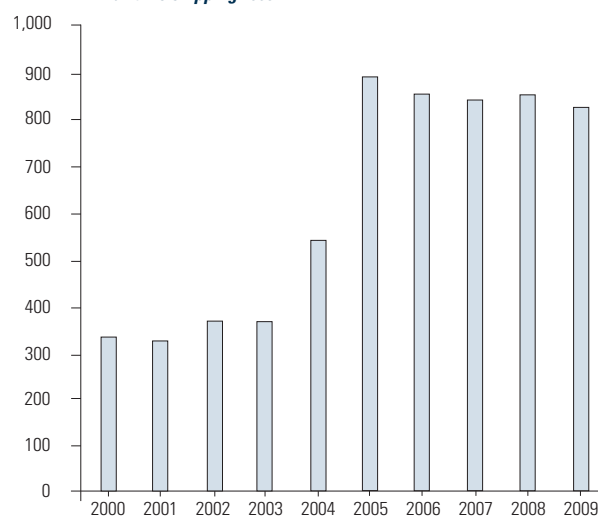
According to the German Shipowners' Association (VDR), more than 40 % of additional jobs in the field of shipping were created in Germany in recent years. Today over 30,000 German workers are employed in the shipping companies, 22,000 of these ashore. The demand for courses of study in nautical science again increased in 2009 as compared with the prior year. Such courses can currently be pursued in Germany in Leer, Emsfleth, Warnemünde and Flensburg as well as in Bremen. In the shore sector, there is still strong demand among school leavers to learn the trade of a shipping businessman. In addition, special courses of study are on offer such as for example the international bachelor's course of studies Shipping & Chartering at the Hochschule Bremen. At the sixth National Maritime Conference, which was held in Rostock in 2009, a number of personnel-related topics were again prominent on the agenda. Within the framework of the alliance for training and employment in maritime shipping ("Maritime Alliance") for example, a working group made up of both sides of the wage negotiations table (the VDR and the labour union ver.di) was set up that is to concern itself with working and living conditions on board of ships. In co-operation with the "Agentur für Arbeit" (German Agency for Labour) in Hamburg, the existing activities to recruit school-leavers for maritime shipping are to be strengthened in the whole of Germany.

Hanseatic Lloyd

Hanseatic Lloyd offers its employees on board and ashore attractive working conditions embedded in a corporate culture that is characterised by trust, mutual respect, commitment and an orientation to competence. At Hanseatic Lloyd, great importance is attached to the dialogue between the employees ashore and on board; among other things joint workshops of ship's management personnel and company management are carried out on a regular basis. Basic and advanced training measures are regarded by Hanseatic Lloyd as an investment in the future and are also continued during times in which the economic parameter conditions are not particularly positive. At Hanseatic Lloyd, the ongoing qualification of the employees is a central element of the ongoing improvement management process.

Hanseatic Lloyd's commitment in the field of training goes far beyond its own company. For example via the Bremen Shipowners' Association (Bremer Rhederverein) it also participated in the financing of the foundation professorship for Maritime Management at the Hochschule Bremen. Depending on availability, Hanseatic Lloyd offers students doing the course of studies entitled "Engineer with a qualification for Maritime Transport (Nautical studies)" the possibility of carrying out their obligatory practical semester on board the ships of its technically supported fleet. Similarly, Hanseatic Lloyd as a stakeholder supports the project of the "Northern Maritime Universities" (NMU) that is promoted by the North Sea Programme of the European Union. The NMU is a network of seven universities and industrial partners from the states bordering the North Sea, in which the competence in maritime business management of the partners in the network are concentrated in the fields of training and research.

**Figures for new entrants
in maritime shipping 2009**



Source: VDR, April 2010

Prospects

There are increasing signs of a sustained recovery of the global economy. The key countries for the economic upswing are still the emerging Asian markets. Further trendsetting and pace-setting influencing factors for a recovery of the markets are however also the tendencies towards protectionism, the aftermath of the global economic stimulus programmes, the further course of monetary policies, the effects of regulation on the financial markets, the development of prices in the commodity markets as well as the stability of the labour markets. The International Monetary Fund warns of a second recession, a so-called “double-dip” situation, which could arise if the tax-related and monetary stimuli of the individual nations were to be discontinued too early.

An improvement in the overall economic situation, global low interest rate policies, ongoing government assistance, the intensified scrapping of tonnage, the conversion of shipbuilding orders or the later delivery of newbuildings and so-called “slow steaming” taken together are leading to a situation in which the demand for individual segments of container ships is rising more strongly than many market players dared to hope in the past year. Container handling will mirror the positive trends of the global economy and will, according to the analysts of Clarkson, grow by 5.5 % in 2010.

As the global economy recovers, the International Energy Agency (IEA) expects to again see increased demand for crude oil and thus also renewed increases in prices and transport volumes. In the long-term view, fossil fuels will cover an estimated 80 % of global energy requirements until the year 2025 and cannot be replaced by alternative energy sources. The IEA believes that more than half of the growth of primary energy requirements world-wide from 2006 to 2030 will be accounted for by China and India alone. At an annual growth rate of approx. 1 %, the global demand for oil is predicted to rise from the approx. 86.5 million barrels p.d. expected in 2010 to 106 million barrels p.d. by the year 2030.

What is important for shipping in the year 2010 is that the global economy and thus also global trade continue to recover and stabilise so that the resultant demand for marine transport services again rises substantially. For the time being we find ourselves at the beginning of a gradual upturn.

In the end, downswings have always been followed by upswings. We need only remember from the past ten years the recovery after the Asia crisis (1999) as well as that after the acts of terrorism of September 11th 2001. There can be no serious doubt but that shipping, as an important part of the globalisation process, will in the future grow again in the long term.

In its climate policies for international shipping, the IMO is not wavering from its course – also with an eye to the upcoming UN Climate Conference in Cancun (Mexico) in November 2010. The discussions in the IMO Marine Environment Protection Committee (MEPC) regarding a reduction of CO₂ emissions in maritime shipping were continued at the end of March 2010. In the course of these discussions, major progress was achieved in connection with the Energy Efficiency Design Index (EEDI). This states the quantity of CO₂ emissions of a ship that are emitted for each unit of transport work and is intended to help improve the efficiency of ships. The so-called market-based instruments such as emissions trading or the climate control fund model were also discussed.

Altogether ten concrete measures have been put before the environment protection committee and these must now be examined within a tight schedule as regards their effectiveness on the climate, their cost efficiency and their practical feasibility. Special attention is to be paid in this context to the needs of those countries with high development requirements. The object is to develop a global solution that achieves progress in climate control, that offers an incentive for efficient ships and that does not hinder global trade.

Despite the difficult economic situation, the shipping companies continue the training of future personnel on board and ashore at the same high level. This is also important to ensure that the interest in shipping careers that has been systematically built up among the applicants over recent years does not flag. Maritime shipping enjoys a reputation for offering secure and versatile working and training opportunities on a long-term basis. It is therefore necessary to maintain not only the training efforts of the companies but also the provision of career information by the maritime associations. Even after the crisis, maritime shipping will need qualified personnel and must safeguard the necessary prospects for this.