

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

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The global economy

Since the beginning of the millennium, global economic performance has increased annually by 3.6 % on average. The global production of goods and services rose by 5.0 % in the year 2010 alone and in the estimation of the International Monetary Fund (IMF) it will probably grow by a further 4.4 % in 2011. Not only the industrial nations but also developing countries will mostly develop at better-than-average rates in 2011 as a consequence of the catching-up process initiated after the crisis. The economic and growth-oriented political measures of the national governments to stabilise the economy have very largely taken hold, so that the time-limited economic stimulus packages can gradually be abandoned.

The good order situation in Germany ensures sustained capacity utilisation and production in the manufacturing industry and is leading to stable growth. Thanks to the ongoing recovery of the global economy and of global trade, the rise in domestic demand has been accompanied by strong growth of exports. Consequently, in April the experts of the IMF raised their assessments with regard to economic growth for 2010 to 3.5 % and predicted an increase of 2.5 % for 2011.

Monetary policy of the USA will also remain expansive in 2011 and will make for low interest rates and high liquidity in the money market. Spending on plant and equipment has increased again since 2010 and the situation in the American labour market has improved with the economic situation. The unemployment rate in March 2011 was 8.9 % – the lowest figure since April 2009 – and in consequence the incomes of private households and consumption are also rising again in 2011. In the wake of the economic recovery in the USA, the IMF raised its predictions for economic growth for 2010 by 0.2 % to 2.8 % and for 2011 by 0.5 % to again 2.8 %. Sources of worry for the Americans are on the other hand the still high level of public spending and the growing national debt.

According to the latest IMF forecast, the most important industrial nations and communities of states will show stable economic growth at different levels. 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, special attention should be paid to the role of the emerging economies in Asia – in particular China proved to be a particularly stabilising factor in the crisis.

In 2010, the Chinese economy again developed very dynamically and overtook Japan as the second-biggest economy in the world after the United States. In a year-on-year comparison, growth of the gross domestic product (GDP) in the year 2010 was 10.3 %. The experts of the IMF also assess the prospects for China in the future as positive and reckon with economic growth of some 9.6 % for the current year.

The Indian economy has on balance come through the crisis well – also due to its low dependence on external trade – and achieved economic growth of 10.4 % in 2010. The recovery of the agricultural sector as a result of good harvests has had beneficial effects on the income of the rural population and on domestic demand so that the experts of the IMF predicted economic growth of some 8.2 % for India in 2011.

The development of the global economy could be dampened by the political events in North Africa and the Arab region, by the debt crisis in the euro zone and by the high oil price.

Economic growth				
(GDP) in %	2009	2010	2011*	2012*
USA	- 2.6	+ 2.8	+ 2.8	+ 2.9
China	+ 9.2	+ 10.3	+ 9.6	+ 9.5
Japan	- 6.3	+ 3.9	+ 1.4	+ 2.1
India	+ 6.8	+ 10.4	+ 8.2	+ 7.8
Russia	- 7.8	+ 4.0	+ 4.8	+ 4.5
Brazil	- 0.6	+ 7.5	+ 4.5	+ 4.1
European Union	- 4.1	+ 1.7	+ 1.6	+ 1.8
Germany	- 4.7	+ 3.5	+ 2.5	+ 2.1
Latin America	- 1.7	+ 6.1	+ 4.7	+ 4.2
Whole world	- 0.5	+ 5.0	+ 4.4	+ 4.5
Global trade	- 10.9	+ 12.4	+ 7.4	+ 6.9

Source: IMF Database, World Economic Outlook, April 2011
* forecast

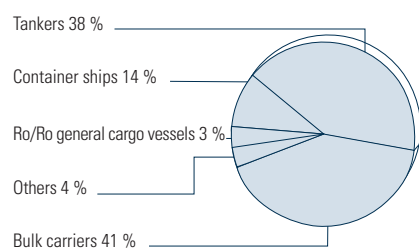
The world is following with great sympathy the fate of Japan. The earthquake catastrophe and its aftermath are far-reaching tragedies. What economic effects these dramatic events will have at the national and international levels is still unforeseeable. Japan's share in the global economy as the third-biggest economic nation is some 6 %. Experts expect Japan to cope with the economic consequences and that the reconstruction process could temporarily even have an expansive effect on the Japanese and global economies.

The global merchant fleet

More than 95 % of intercontinental trade goes by sea. To handle this, at the end of 2010 there were more than 54,804 ships in service worldwide that are bigger than 100 gt and are not fishing vessels, tugs or other water craft. Although various measures such as for example the abandoning of newbuilding programmes have been initiated since the outbreak of the global economic crisis and there has been an increase in the scrapping of obsolete ships, across all ship types, the global merchant fleet grew by 9.0 % over the prior year to reach a total deadweight tonnage figure of almost 1,347 million tdw, thus continuing the strong growth of the past few years.

Global merchant fleet 2011

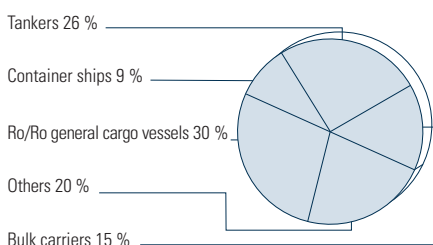
by deadweight tonnage



Source: Clarkson Shipping Intelligence Weekly, May 2011

Global merchant fleet 2011

by number



Source: Clarkson Shipping Intelligence Weekly, May 2011

At present, in terms of the number of ships, Ro/Ro and general cargo vessels followed by the tankers account for the greater part of the world merchant fleet. The biggest share in global merchant tonnage in terms of deadweight tonnage (tdw) is that of bulk carriers at 41 %, followed by the tanker fleet at 38 %.

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 and the number of containers handled worldwide has increased annually by an average of approx. 10 % a year.

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 traffic decreased. As compared with 2008 this dropped from 499 million TEU (twenty foot equivalent unit) to 449 million TEU.

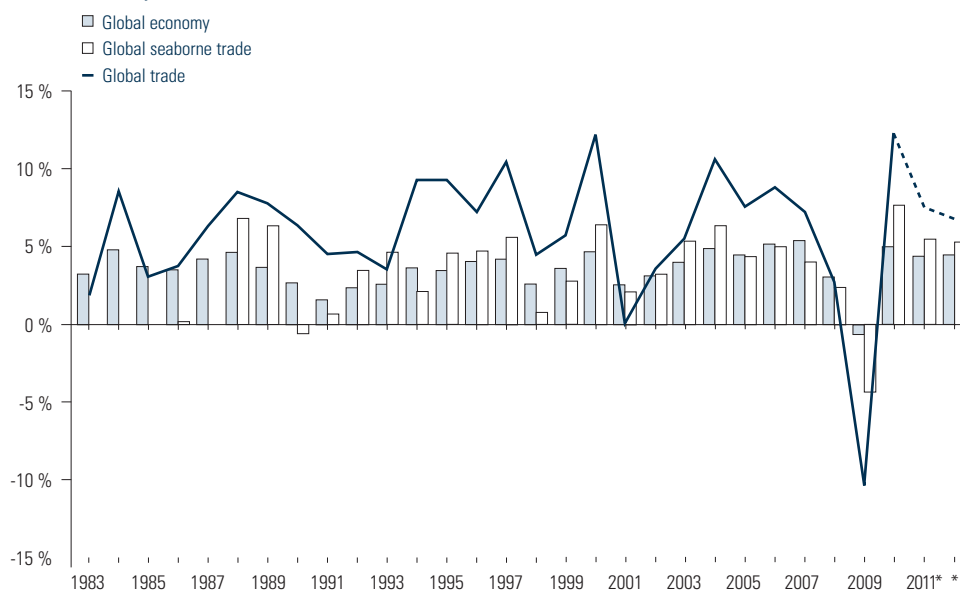
With the unexpectedly strong improvement in the global economy and in global trade since the beginning of 2010, the global goods markets have also stabilised. Global container handling rose to 503 million transported TEU in 2010 and thus even exceeded the pre-crisis level. For the year 2011, Clarkson Research is forecasting growth by a further 9.7 % to a total of 550 million TEU and the medium-term prospects are also positive.

The global container ship fleet

In the wake of the financial crisis hardly any notable newbuilding orders were placed for container ships after the third quarter of 2008 and for the following two years. During this period, delivery dates for ships deriving from orders placed before the crisis were frequently postponed so that the integration of the full order book into the container ships market could be stretched over time. It was not until the third quarter of 2010 that a significant number of orders for newbuildings were again noted. Whereas the overall capacity of all ordered newbuildings in October 2008 was still some 55 % in relation to the operational fleet, in April 2011 the experts from the Institute of Shipping Economics and Logistics (ISL) reported a newbuilding programme corresponding to approx. 28 %.

In April 2011 the container ship fleet numbered 4,933 units with a capacity of approx. 14.4 million TEU. About 52 % of the fleet is owned by tramp shipping companies and these ships are therefore available to the liner shipping companies as charter tonnage.

Growth rates of major maritime ratios



Source: IMF und Clarkson, May 2011

* forecast

According to the order book, orders exist for a total of 604 new container ships with a capacity of 4,017 thousand TEU, which corresponds to an increase in capacity of 12.2 %. 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 2,928 TEU. In contrast the ships under construction have an average size of approx. 6,650 TEU. About 49 % of the planned newbuilding capacity relates to container ships designed to carry more than 10,000 TEU.

According to Clarkson Research, 1,014 ships were scrapped worldwide in 2009 – including 192 container ships with more than 364,000 TEU – this was more capacity than had been scrapped in total in the preceding 13 years. As the charter markets rallied, the volume of scrapping of container ships also decreased. According to Clarkson, ships with a capacity of some 127,000 TEU were scrapped in 2010, for 2011 the analysts there reckon with a scrapping volume of only about 54,000 TEU.

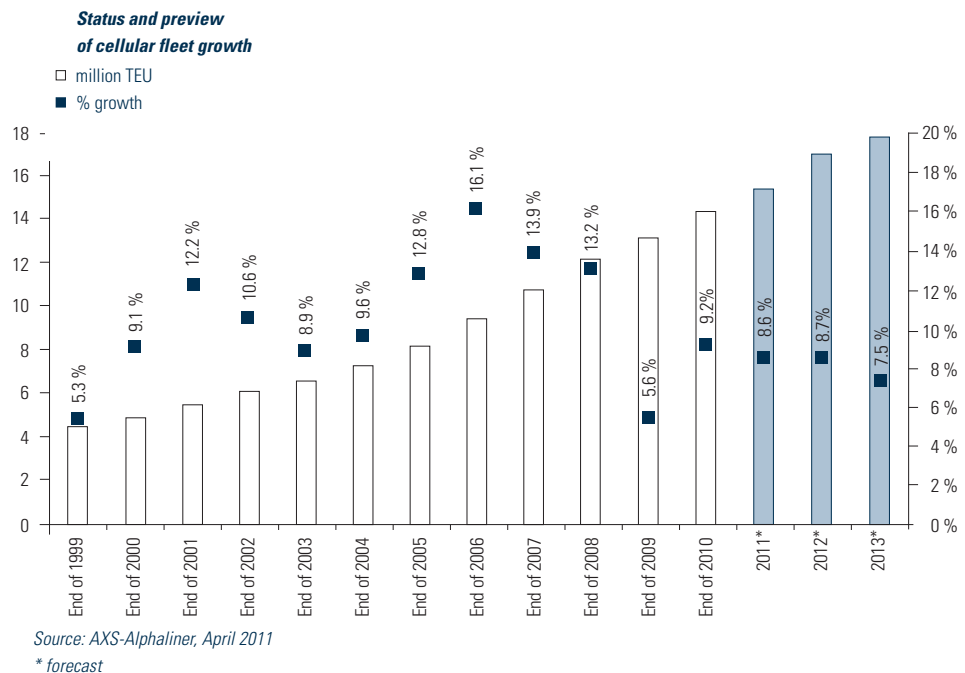
The charter market

In the course of the year 2010, the charter market for container ships staged a significant recovery from its historically low level in 2009. In most segments, from the 2nd quarter the rates achieved could again cover the operating costs and in the further course of the year they rose steadily until the end of October 2010. In particular the rapid recovery of the Asian economies boosted demand and most of the laid-up ships were gradually put back into service. Whereas in January 2010 581 container ships with a capacity of 1,520,000 TEU, corresponding to 11.7 % of the global fleet, were still unemployed, the proportion of laid-up container ships steadily decreased. At present unemployed tonnage is stated to be only 71 ships with a capacity of 134,000 TEU.

The strongest demand was for the larger ships. The average charter rates for Panmax container ships were therefore able to almost quadruple between February and October 2010, whereas rates for feeder ships did not start to rise until later and only managed to nearly double in the same period.

The significantly improved freight rates and the strongly increased transport volume in 2010 led to a rapid economic recovery for the liner shipping companies. Cost savings, in particular for fuels as a result of slow steaming throughout the fleet improved their profitability and most companies were able to report very good results from the second and third quarters of the year 2010. The recovery at the tramp shipping companies on the other hand did not set in until later as no charter rates level that covered the operating costs could be achieved until into the first quarter of 2010. Many of these contracts will expire in the course of the year 2011 or later still.

In the first quarter of the year 2011, charter rates and freight rates developed in different directions. Whereas the liner shipping companies had to struggle with falling freight rates and increasing bunkering prices (USD 660 per ton at the beginning of May), the charter rates initially continued their upward trend. The tramp shipping companies were able to profit from this in new transactions in all size segments, especially in the case of larger ships from 3,500 TEU.



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 index started the year 2010 at 335 points. After that it rose successively, showing the steepest rises in the months from April to July. At the end of September 2010, the index then reached its provisional peak at 735 points corresponding to a rise of more than 100 % since the beginning of the year. From October 2010, the index fell slightly and stood at 663 points at the beginning of December. This was followed by an upward movement until the beginning of April 2011 to reach a level of 916 points. This fell not far short of the 10-year average of 1,018 points. At the end of May, the Howe Robinson Containership Charter Hire Index stood at 909 points.

The duration of the agreed charter periods in the year 2010 on average over all size classes was 200 days, this being more than 50 % higher than the all-time low of 2009.

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

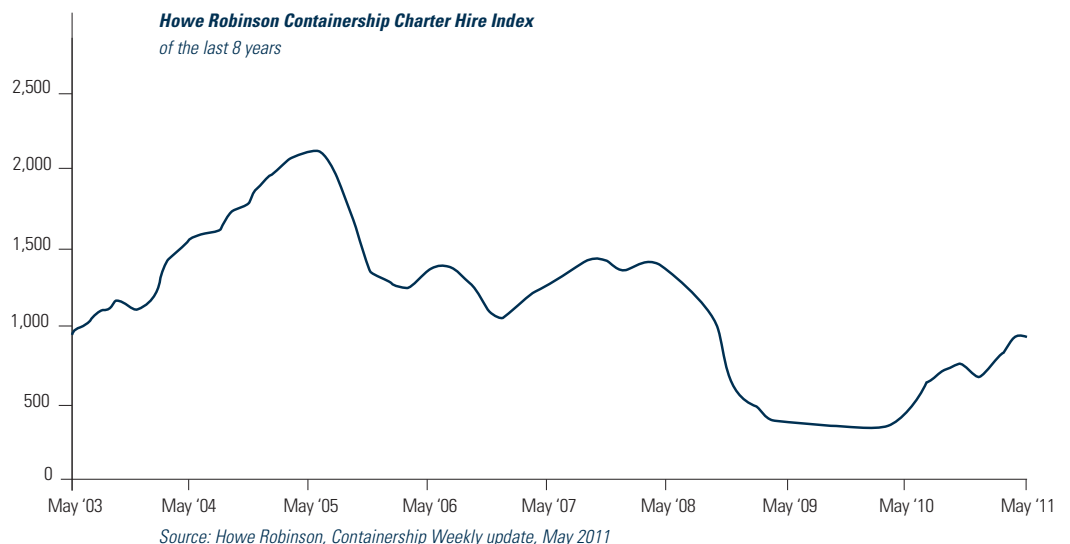
The development of charter rates for container ships of the 4,000 TEU-class

The negative trend in the year 2009 also continued in the first two months of the year 2010. Even though the number of charter transactions rose in comparison with 2009, the amount of the charter rates that could be achieved at approx. USD 6,000 p.d. initially stayed at the same level as in the prior year. From March 2010, the daily charter rates again rose substantially and reached USD 10,000 to USD 12,000. As a result of the increased volume of cargo, demand for Panmax tonnage also improved. By mid-year the charter rates had managed to double yet again and in the months June/July they reached a level of USD 23,500 p.d. at the peak, corresponding to a four-fold increase within four months.

At that time, contracts with longer charter periods of two to three years were also being concluded again. At the beginning of the year 2010, it had still only been possible to agree charters for a maximum of twelve months. Since September 2010, chartering activity has again been in decline. On the one hand there were no longer many positions available and on the other hand there was a slowdown in freight volume growth. At the beginning of November this situation led to slight decreases in rates and shorter charter periods. At the end of the year the achievable charter rates were around USD 19,000 gross p.d.

From February 2011 there was an initial rise in demand for Panmax tonnage. As the supply was limited, rates increased significantly from approx. USD 24,000 gross p.d. in February to more than USD 27,000 in March. At the same time, the average charter periods lengthened from twelve months to two and in some cases three years. From the end of March, the upward trend came to a temporary halt. Demand on the part of the liner shipping companies decreased and some of these even released relet tonnage (subchartering) into the market, which sparked off a slight drop in rates. At the beginning of April 2011, it was possible to achieve approx. USD 26,000 gross p.d. with a contract period of twelve months.

At present, 695 ships in the size class from 3,900 to 5,100 TEU are in operation worldwide, of which one ship is currently not chartered out and a further 19 are without employment. Of 108 ordered newbuildings scheduled for delivery by the year 2013, 27 ships are currently without a charter.



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

Slack demand and the extremely low charter rates persisted at the beginning of the year 2010. Nearly 150 ships between 2,000 and 2,999 TEU were without employment. The achievable rates were around USD 4,500 p.d. and the charter periods were mostly only short (one to three months).

The slight increases in rates from the second quarter of 2010 can be accounted for by an improvement in conditions in the market as a whole, but even so the 3,000 TEU-class was still hampered by high overcapacity. In the months April and May, it was possible to achieve rates of USD 5,000 to USD 6,000 p.d. Appreciable rate increases set in from the middle of the year. At the end of June, rates of more than USD 10,000 p.d. were achieved and as a rule the charter periods were twelve months. August saw an increase in the number of double-figure charter periods. The peak of the rise in rates was reached in September/October 2010, with daily rates of approx. USD 14,000 for twelve-month periods and USD 15,000 for two-year contracts. From the end of October, a seasonally-induced decline in demand was one reason why charter rates for this segment again slipped to approx. USD 11,750 p.d.

From February 2011, the charter rates continued their positive development. Up to the end of the first quarter they rose to approx. USD 15,000 p.d. The average charter period was twelve months. Due to the rising bunkering price, the 3,000 TEU market in particular is characterised by big differences in rates between modern, low-consumption ships and older, higher-consumption tonnage.

Currently, 543 ships in the size class 2,400 to 2,999 TEU are in service worldwide, of which 17 ships are currently unemployed. Of 43 ordered newbuildings scheduled for delivery by the year 2013, no charters have yet been concluded for 25 ships.

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

The extremely low rates of approx. USD 4,100 p.d. that could be achieved at the end of 2009 initially also persisted at the beginning of 2010. At six months, the charter periods were on average short, many chartering brokers managed to persuade the charterers to accept flexible periods of up to max. twelve months. At the beginning of 2010, 158 ships in the size class between 1,000 and 1,999 TEU were still without employment. In April 2010, the charter rates rose to approx. USD 4,500 gross p.d. – but were then still lower than the ship operating costs. The charter periods lengthened to twelve months on average. The number of unemployed ships decreased by a third by the end of April 2010.

In the further course of the year, the economic recovery brought about a further decrease in the number of idle ships, which had a positive effect on the development of rates. At the beginning of July, the achievable charter rates were USD 7,750 gross p.d. – which roughly covered the ship operating costs – and reached their peak at almost USD 9,000 gross p.d. at the end of September 2010. The charter periods averaged twelve months. From October 2010, a seasonally-induced decline in demand and the increase in available tonnage contributed to a slight drop in rates by approximately 10 %. It was possible to recoup this fall in revenues by February 2011. At the end of the first quarter, contracts for more than USD 10,000 p.d. were being concluded for the first time. The charter periods did not change and remain at twelve months on average.

At present, 511 ships in the size class 1,470 to 1,799 TEU are in operation worldwide, of which 15 ships are currently not chartered out and a further four are without employment. Of 15 newbuildings scheduled for delivery by the year 2013, eleven ships are currently without a charter.

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

The level of freight rates at the beginning of the year 2010 with achievable daily charter rates of approx. USD 3,600 was, as already in 2009, still substantially lower than the ship operating costs. The charter periods were short at up to six months. At the start of the year, 158 ships in the size class between 1,000 and 1,999 TEU were without employment. Due to a moderate increase in Asian short-sea traffic, charter rates in this segment rose slightly at the end of the first quarter to approx. USD 4,000 gross p.d. and the charter periods lengthened to up to twelve months. In June 2010, the charter rates reached a figure of roughly USD 5,000 p.d. and climbed in the following months to approx. USD 6,350 for employment periods of twelve months. In the third quarter, as a result of the rising demand in Asia and in the Caribbean it was possible to achieve further increases in rates up to approx. USD 6,800 p.d.

The first quarter of 2011 saw a continuation of the positive developments of the year 2010, so that especially in March 2011 the rates increased once again to reach a level of approx. USD 8,000 p.d. The current developments in Japan, further increases in bunkering prices and low freight rates have led to widespread uncertainty at the liner shipping companies, which is leading to lower demand especially in the China/Japan market, in which the 1,000 TEU ships mainly find employment. This being so, there may be a renewed drop in charter rates in the short term.

The number of ships in service in the size class 830 to 1,199 TEU is currently 731, of which 31 ships are at present without employment. Of 64 newbuildings due for delivery by the year 2013, to date 40 ships are still without charters.

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.

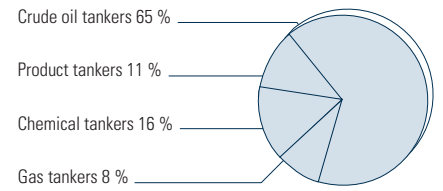
Over long distances, crude oil is transported in so-called ULCCs and VLCCs (= Ultra Large Crude Carriers and Very Large Crude Carriers). These ships have a deadweight tonnage of 200,000 tdw and more.

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.

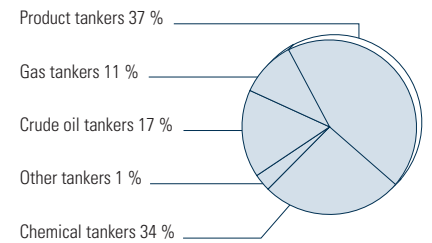
As crude oil is a mass product, crude oil tankers account for the greatest share in terms of deadweight tonnage of all tankers at 65 % (see chart above). Ships with a large carrying capacity are especially in demand for transports from the producing country to the refinery.

Deadweight tonnage of tankers by types

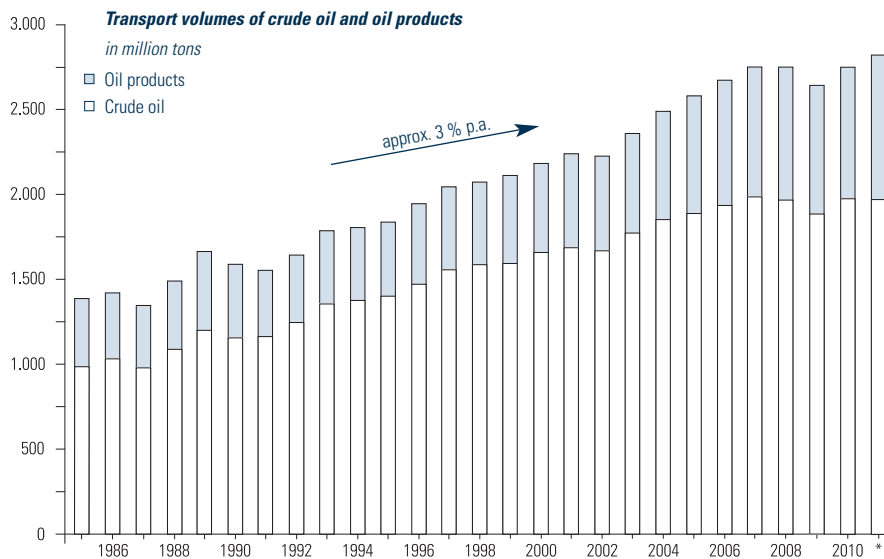


Source: VDR; Data of German Maritime Shipping, 2011 edition

Number of tankers by types



Source: VDR; Data of German Maritime Shipping, 2011 edition



Source: Clarkson Research, May 2011
* 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	553	421	889	402	1,807	564
- of which with double hull	521	409	858	385	1,676	476
- of which single-hull tankers	32	12	31	17	131	88
- of which with double hull older than 20 years	1	9	32	13	73	16
Scrapping potential	6 %	5 %	7 %	7 %	11 %	18 %
Order book	174	147	129	77	285	93
Replacements	527 %	700 %	205 %	257 %	140 %	89 %
Forecast class growth until 2013	25 %	30 %	7 %	12 %	4 %	-2 %

Source: Clarkson Research Studies, Oil & Tanker Trades Outlook, April 2011

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 37 % (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.

The global tanker fleet

The global tanker fleet grew again in comparison with the prior year. Whereas in April 2010 the experts at Clarkson Research still reported some 5,350 tankers in the fleet, this figure increased to approx. 5,520 units with a total deadweight tonnage of approx. 460 million tdw in April 2011.

The Panmax segment, to which MT "HLL Ashley Sea" and MT "HLL Sharon Sea" belong, is divided into tankers with a deadweight tonnage from 60,000 to 69,000 tdw and tankers of more recent construction (average age: 4.6 years) with a deadweight tonnage from 70,000 to 79,999 tdw.

The Small-Handy-Size 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 of this segment belong to the group of the ships with a deadweight tonnage from 15,000 to 20,000 tdw.

With many new ships being launched and a high rate of scrapping, the age of the tanker fleet in service is decreasing further in comparison with the prior year. At the end of the first quarter of 2011, the age structure of the tanker market is as follows: 10 % of all the tankers in operation worldwide are older than 20 years. In the segment of the Panmax tankers, ships of this age have a share of 6 % and in the segment of the Small-Handy-Size tankers (15,000 to 20,000 tdw) a share of 16 %. The average age of the whole tanker fleet is 8.6 years and is thus 0.4 years lower than the prior year figure.

In the Panmax class, of the present fleet of 402 tankers, 17 ships are operating as single-hull tankers, which are hardly used any more by the oil majors and are thus no longer available to the market. In the Small-Handy-Size class (15,000 to 20,000 tdw), 88 of the 564 tankers are still operating as single-hull tankers. Economic reasons as well as the IMO regulations result in the scrapping potential shown in the table on this page.

The order book for tankers shows that newbuilding orders exist for all segments. The number of new orders in the field of the Panmax tankers (60,000 to 80,000 tdw) is not significant and, taking account of the scrapping potential, in this analysis predicted growth in this class works out to 12 %, which means approx. 3 % p.a.

In this context it must be noted that a large number of new ships are due for delivery in 2011. In the field of the Small-Handy-Size tankers (15,000 to 20,000 tdw) the number of new orders is also moderate and, taking account of the scrapping potential, predicted growth in this class is even negative at -2 %.

The charter market

The good news from the global economy can still not be echoed in the tanker markets. The charter rates for tankers in the spot market successively decreased in the first half of 2010. In the second half of the year, a recovery set in at different times in the different tanker segments, but over the year as a whole this still only managed to result in a low level of charter rates on annual average. The charter rates in the 1st quarter of 2011 only stabilised in comparison with the prior year and do not yet point to any lasting recovery of the charter market.

In the past, global economic growth led to an increase in transports of liquid goods by approx. 3 % a year on average. The current reports from Clarkson Research show a rise of approx. 4.1 % in the demand for transport in the year 2010 and forecast growth of around 2.6 % for 2011. Deliveries of new tankers in 2011 will increase the previous supply of transport tonnage by about 7.3 % overall. In this context it must be noted that there will be big differences in the development of tonnage from segment to segment. Even if the scrapping of old tonnage and the further decommissioning of single-hull tankers will lead to a lower figure for tonnage, there will still be a significant discrepancy in the development of tanker tonnage worldwide. This development is continuing to exert pressure on charter rates in the year 2011.

Although transport demand and the supply of tonnage are developing in an approximately balanced relationship in 2011, the market still has to compensate the imbalance from the years 2008, 2009 and 2010. In the wake of the global economic crisis, the volume of cargo in the year 2010 was on a par with the level of the years 2007/2008. At the same time however, the global tanker shipping fleet has grown by a total of 17 % in these three years.

In line with the sharp rises in world market prices for crude oil (price per barrel in January around USD 95 and at the end of April around USD 122), bunkering costs also rose. In the course of the year 2010, the bunkering price for CST 380 was around USD 500 per ton. Since January 2011, the bunkering price has risen sharply and at the beginning of May it had already reached figures around USD 660 per ton. This development is not only a burden on the tanker market but also influences charter rates in global shipping.

The consumption of mineral oil and products in 2010 is stated by the experts of the International Energy Agency (IEA) to be 87.9 million barrels per day (bpd) and is thus some 1.3 million bpd higher than had still been predicted for

this period in September 2010. In the light of the ongoing recovery of the global economy, the experts also expect a rise in consumption in the year 2011 and are forecasting requirements of approx. 89.4 million bpd.

Besides the growing transport volumes of mineral oil products, liquid goods are also likely to develop positively in 2011. Experts are today assuming that all the rapeseed oil produced in the EU will be used for biodiesel in order to be able to meet the demands of the EU Biofuels Directive. In Germany for example the share of biofuels grows by 0.25 % annually and is expected to have reached a share of 8 % in overall consumption by the end of 2014. This figure is predicted to rise to 10 % by the year 2020. The foodstuffs industry is today already compelled to buy its rapeseed oil in the international markets. This generates demand for transport, which in the opinion of the experts can be covered by the Small-Handy-Size tankers.

The development of charter rates for Panmax tankers

In the market of the Panmax tankers, the growing transport volumes of liquid goods encountered larger tanker fleet capacities and were therefore unable to contribute to any decisive developments with regard to the charter rates in this segment.

In the first quarter of 2010, charter rates between USD 13,000 and USD 16,000 p.d. gross were being agreed in the spot market of the Panmax tankers. In the second and third quarters of the year, low demand and the resultant overcapacity strongly afflicted the tanker market and led to gross charter rates between some USD 14,000 and USD 12,000 p.d. The lowest ebb was marked in the third quarter by the gross charter rates of November at some USD 7,500 p.d., which at the same time also represent the lowest charter rates of past years. The situation improved slightly at the end of the year and it was possible to agree charter rates of around USD 10,500 p.d.

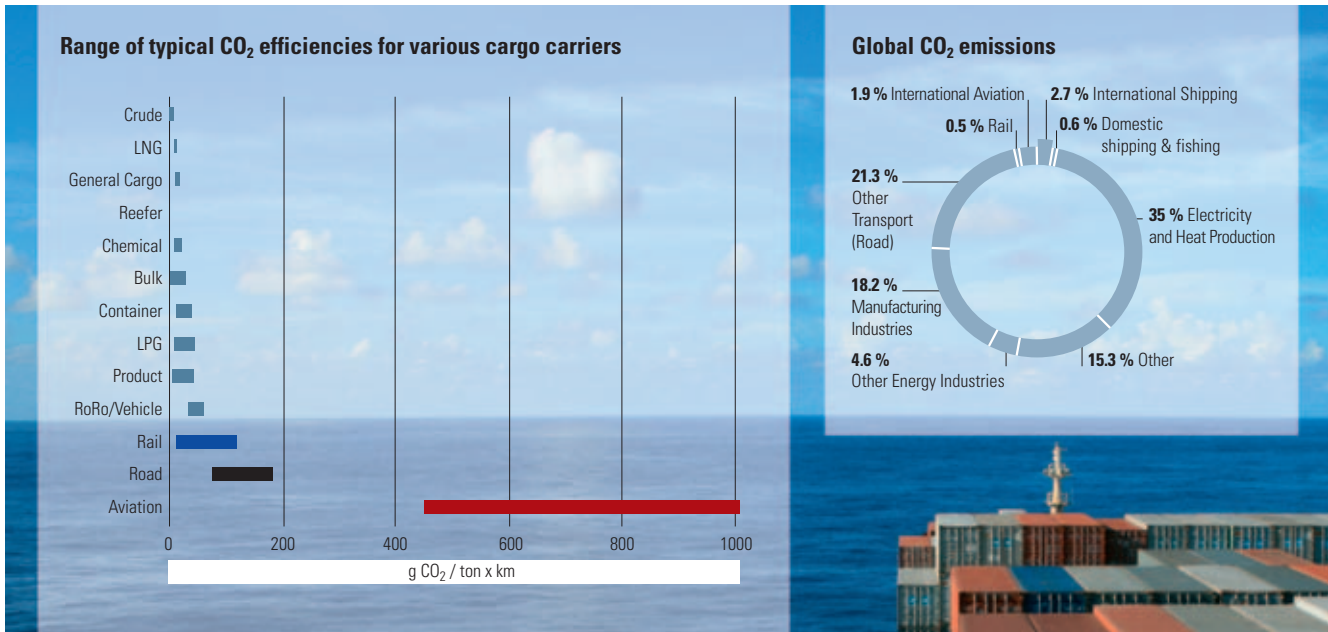
The first few months of the year 2011 are also characterised by strong fluctuations. In January and March of the year, it was possible to achieve charter rates of some USD 15,000 p.d., in February on the other hand of only about USD 10,000 p.d. In April, the level of charter rates again rose to approx. USD 17,000 p.d.

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

In the market of the Small-Handy-Size tankers the increasing transport volumes encountered a tanker fleet that had grown out of proportion and were therefore unable to contribute to any decisive developments with regard to the charter rates in this tanker segment.

In the first quarter of 2010, it was initially possible to achieve higher charter rates in the spot market of the Small-Handy-Size tankers in comparison with the fourth quarter of 2009. The average level of charter rates was around USD 10,000 p.d. In the second quarter of the year, low demand and the resultant overcapacity burdened the tanker market and caused the charter rates to fall substantially to around USD 4,500 p.d. until June. After that, the charter rates in the spot market of the Small-Handy-Size tankers recovered slightly and in the third quarter they averaged some USD 6,300 p.d. In the last quarter, they rose on average to approx. USD 8,600 p.d. The year 2011 is expected to see a stabilisation of the level of freight rates at around USD 10,000 p.d.

Attractive offers for time charter contracts exist only in a few isolated cases and in the light of their parameter conditions they only very rarely constitute economically viable alternatives to spot transactions. Here long-term contract periods at very low daily charter rates of around USD 8,500 p.d. are being offered, which provide no opportunity to participate in any earlier-than-expected recovery of the market.



Source: Second IMO GHG Study 2009

Global

The idea that global efforts are required to protect the natural environment is meanwhile generally accepted. Shipping as a part of and an essential link in the global economy already has a 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 towards 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 big liner shipping companies such as APL, NYK, Hanjin or also Hapag-Lloyd and

Hamburg Süd as well as 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 the 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”. At the “United Nations Climate Change Conference” held in the Mexican city of Cancún in December 2010, the IMO reported on the efforts of the shipping industry to continue to make a significant contribution to reducing the emissions of greenhouse gases emanating from the operation of ships.

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. It was possible to achieve further progress in connection with the convention for the environmentally compatible recycling of ships formulated by the IMO: Turkey, one of the five most important sites for the recycling of ships, signed the “Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships”. This convention is intended 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 include 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 transport 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.

In 2010, the contracting parties of the so-called "Bonn Agreement" of 1983 (Agreement on Cooperation in Combating the Contamination of the North Sea by Oil and other harmful Substances) adopted a plan of action at their meeting in Dublin. This plan of action envisages a number of individual measures to combat illegally and accident-related contamination of the North Sea area and its seaways.

Germany

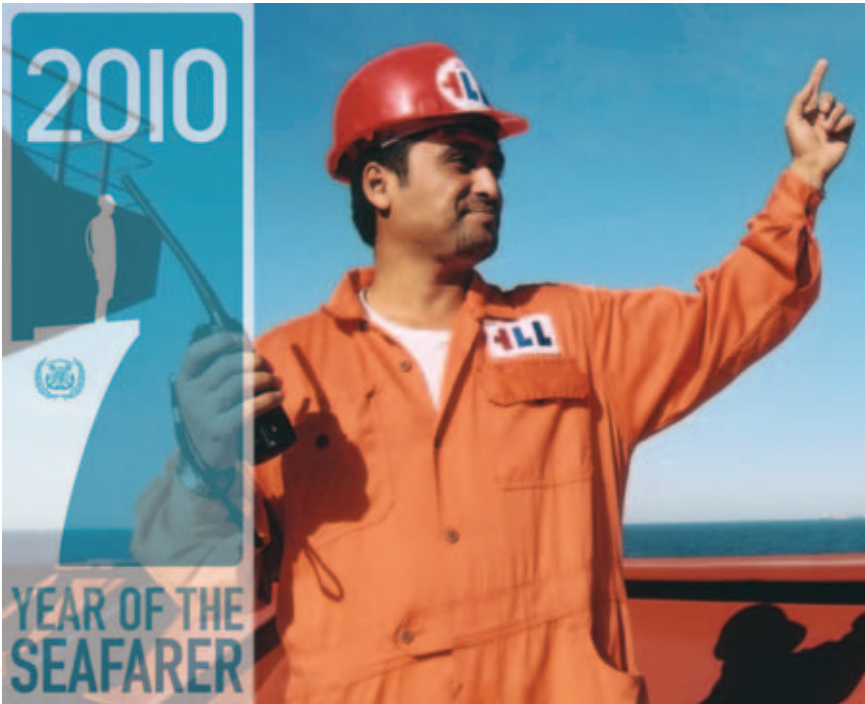
In Germany, protection against dangers for the marine environment and against harmful environmental influences is regulated in the "Seeaufgabengesetz". This meanwhile also includes measures in connection with the Ballast Water Convention adopted by the IMO in 2004 that serve to prevent the spread of 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. Worldwide 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.

After an intensive build-up phase, the environmental management system of the shore organisations of Hanseatic Lloyd in Bremen and thus also of the technically supported fleet was certified to the environmental standard ISO 14001. The certification of the two Panmax tankers that were recently taken over into the management to the environmental standard ISO 14001 is in preparation. The introduction of an environmental management system is voluntary. With the environmental management system to ISO 14001 the numerous individual activities in the field of environmental protection on board and on shore 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.



The achievements of seamen all over the world do not go unheeded. The UN has declared 2010 to be The Year of the Seafarer and thus thanked the more than 1.2 million seafarers – both men and women from all over the globe – for their special co-operation in the welfare of us all.

Global

The labour market for seamen traditionally does not stop at national borders but can be seen as an almost perfect example of a global labour market. It is estimated that more than 1.2 million people work on board of merchant ships on the world's oceans. With the "International Convention on Standards of Training, Certification and Watchkeeping" (STCW), globally uniform standards with regard to the training of seamen have already been in existence for many years. In the year 2010, the STCW Agreement was adjusted to the current requirements of international maritime shipping at a diplomatic conference in Manila. Besides a number of changes in detail, special mention should be made of the introduction of the new job designation "Electro Technical Officer" as well as of the greater importance attached to necessary managerial competences.

With the "Maritime Labour Convention" agreed in Geneva in 2006 within the framework of the International Labour Organisation (ILO), the field of protection for employees has now also been placed on a globally accepted basis, which nevertheless still leaves room for national adjustments. In the past, competitive distortions in shipping in connection with the way seamen are treated could not be excluded. The shipping company that offers good working conditions for its seamen may – at least in a short-term view – have cost disadvantages vis-à-vis a rival who does not adequately meet his obligations as an employer towards his employees. In the new ILO Agreement, it is largely a question of the minimum requirements to be fulfilled by mariners, by the parameter conditions relating to their employment contracts and their working conditions on board as well as questions of health and social welfare.

Many of these aspects were hitherto regulated in a number of other regulations and recommendations; the advantage of the Maritime Labour Convention thus also lies in the more transparent and up-to-date summarising of individual regulations. New findings that have not yet been taken into account elsewhere have been adopted into the Maritime Labour Convention, for example the topics of protection against noise or also protection against permanent vibrations during operation of the ship. The uniform Maritime Labour Agreement is expected to come into force at the end of 2011, but at the latest at the beginning of 2012.

According to the latest comprehensive joint labour market survey of the shipping organisations BIMCO (The Baltic and International Maritime Council) and ISF (International Shipping Federation) from the year 2010, the size of the global labour market for seagoing personnel was estimated at 624,000 officers and 747,000 crew members. Depending on the scenario, there is expected to be a shortfall of between 2 % and 11 % in the global labour market for seafarers in the year 2015. This situation is aggravated by the fact that the age structure of officers makes it urgently necessary to prepare the ground for effectively ensuring the reliable recruitment of next-generation personnel in good time.



Europe

The strengthening of the professions and of employment in the various maritime sectors also numbers among the core tasks of the integrated maritime 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 worldwide 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”.

Germany

According to the German Shipowners’ Association (VDR), in mid-2010 a total of 15,349 seamen were employed on board of German seagoing ships. There was a slight decrease in the demand for courses of nautical studies in 2010 as compared with the prior year. Such courses are currently offered in Germany at the technical university locations in Leer, Elsfleth, Warnemünde, Flensburg as well as in Bremen. There is still a very great need for upcoming personnel in the field of ship operation technology – far too few young people show interest in studying in this segment. In its Annual Report, the German Shipowners’ Association highlights the growing number of female ship management personnel: in the year 2010 ten female captains, 85 female nautical and fourteen female technical officers were in service on German ships at sea.

Ashore, above all training for the profession of a shipping businessman is in great demand from school-leavers both male and female. Furthermore, special courses of study have been set up, such as for example the international Bachelor course of studies Shipping & Chartering at the Hochschule Bremen.

Hanseatic Lloyd

Hanseatic Lloyd offers its employees on board and on shore 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 on shore 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 (University of Applied Sciences). 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, and has for many years been a sponsor and active partner of the “Bremer Shipping Congress” initiated by the Hochschule Bremen (University of Applied Sciences), at which topics of maritime human resources management are discussed on a regular basis.

Prospects

According to the International Monetary Fund, the global economy is recovering and is gaining strength despite the rise in the oil prices. In the year 2011 the global economy will grow by some 4.4 % and the prediction for 2012 is 4.5 %. The higher prices of raw materials will in the opinion of the IMF not seriously influence the recovery of the global economy. Thus in a stress test for the global economy, the IMF is assuming that the oil price will rise to USD 150 per barrel this year and will not fall again until 2012. The economies of the industrial nations would then not grow by 2.4 % but by some 1.7 %. Even so, the IMF regards a rise in oil prices as a consequence of the political upheavals in the Middle East and North Africa as the biggest risk for the development of the global economy.

Against the background of the global economic revival, global trade has also clearly picked up speed again. Even if the catching-up process will be somewhat slower in the future, global trade can be expected to grow by 7.4 % in 2011 and by 6.9 % in 2012. Expanding global trade and the accompanying growing flows of goods are triggering rising transport demand between Asia, Europe and America. These developments are securing capacity utilisation for existing liner services and a growing demand for tonnage.

To what extent the devastating earthquake and nuclear catastrophe in Japan, the war in Libya, the unrest in the Near East and West Africa will have effects on the tanker markets, remains to be seen. Japan as the third-biggest economy accounts for a good 9 % of the global demand for oil. In the opinion of the experts, the damage caused to refineries points to expected increased imports of mineral oil products. Also the announcement of the Japanese government that it will no longer rely on atomic energy in future to secure the country's power supply, could transitionally lead to increased imports of products and here in particular of heating oil.

These effects could also have positive effects on the capacity utilisation of product tankers.

Each year some eight billion tons of goods are transported by sea. This means that international maritime transport carries over 90 % of global trade. But it accounts for only 2.7 % of global CO₂ emissions. In comparison with the other means of transport, ships are the most energy-efficient transport modes. They can transport a ton of freight with the lowest possible use of fossil – and thus non-renewable – fuels. However, shipping is not satisfied with this high ecological standard and still sees further potential for improvements in many areas.

Besides far-reaching measures to achieve further reductions of the CO₂ emissions, debate also focuses on efforts to reduce the sulphur content of fuel in a sensible manner. Work is also being carried out on solutions to lower ships' emissions in the ports as well as on the ratification of the International Ballast Water Convention adopted in 2004 for the protection of the marine environment. The disposal procedure for superannuated ships has been on the agenda of the International Maritime Organization (IMO) since the end of 2005. In September 2009, with the "Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, 2009" it presented a convention that has already been signed by 67 IMO member states.

The maritime economy is making great efforts to make shipping even more environmentally friendly. It is aware of its global responsibility and faces up to the demands. However, the perception of shipping among the general public must be substantially improved – in particular awareness of its efforts in matters concerning environmental protection.

Despite the difficult economic situation the shipping companies have carried on training measures on board and on shore at an ongoing high level. This is important if only to make sure that the interest among job applicants that has been systematically built up over the last few years does not wane. Maritime shipping enjoys the reputation of offering safe and versatile long-term job and training opportunities. It is therefore necessary to continue not only the training efforts of the business companies but also the dissemination of vocational information via the maritime associations. Maritime shipping needs qualified personnel and must create the necessary perspectives for this. Professions in maritime shipping have a future. They offer first-class career opportunities and a wide spectrum of possible deployments on board and on shore.

With increasing frequency women are seeking employment on board. The proportion of women in the various branches of maritime training lies between 10 % and 20 %. At the Hochschule Bremen (University of Applied Sciences), they accounted for 12 % of 500 students in the past year. One third of the training in the diploma course of studies entitled "Engineer with a Qualification for Maritime Transport" concerns itself with maritime management. In view of the forthcoming changeover to courses of study for Bachelor and Master degrees, this plays a major role. For in future at the university, directly after the Bachelor's degree it will be possible to continue studies with the Master's course entitled "Maritime Management". This is especially interesting for female nautical students who do not wish to spend their whole life at sea, for example if they wish to combine work and family, claims the university and states: "Women are expressly wanted in nautical professions!"