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SeaIntel Sunday Spotlight

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Executive Summary

Transpacific: Rate or Market share?

Deployed capacity on the Transpacific is down, but with limited blank sailings in sight. The ball is clearly in the carriers' court – blank sailings to focus on rates, or forego rate and get Hanjin's boxes to bolster own volumes and market shares. To put it differently: Act for the common good of the industry, or focus on own short-term benefits.

Port-Pairs offered by the new alliances

The two new alliances offer a very broad spectrum of port pairs, and 2M appears to have been placed under significant competitive pressure and will likely need to look at revising their network.

Global recovery: 2019 or 2020

If the market demand growth is in a "new normal" with standard 3.4% demand growth, accelerated scrapping only leads to structural supply/demand recovery in 2019 or 2020.

Content

Weekly Indicators

7 - 13 Nov 2016

Matson

Q3 2016
Profit 25M USD
Down 40%
compared to Q3 2015

Port of Shanghai

September 2016
Container volumes

3.22M TEU
+5.9% Y/Y

Port of NY/NJ

September 2016
Container volumes
497,700 TEU
-12.7% Y/Y

Port of Miami

September 2016
Container volumes
79,300 TEU
-7.8% Y/Y

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Editorial: An uncertain future

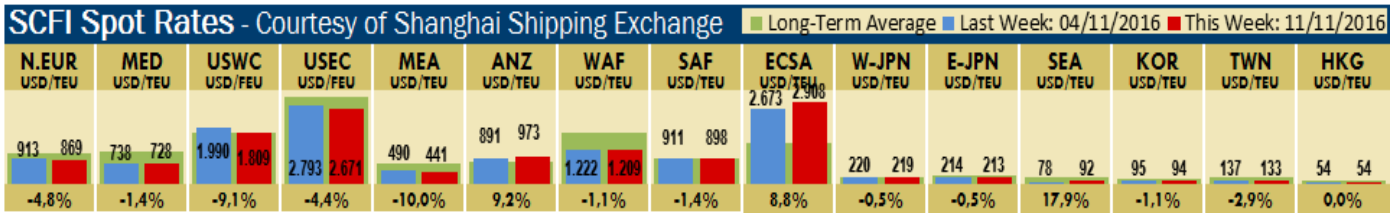
In the wake of the presidential election in the US, we have been asked numerous times this week what it means for the container shipping industry. We certainly understand the desire to ask this particular question, however we also feel the need to point out the obvious. The obvious fact is that nobody for sure can say what a President Trump will mean to the container shipping industry at this point in time, and anyone proclaiming to know the exact answer to this question is clearly basing it on nothing but thin air and speculation.

Let's look at the facts in this context. Mr Trump has stated the desire to renegotiate trade agreements, and has also voiced the view that the current agreements are detrimental to the USA. No specifics as to what any new trade agreements would look like have been offered – and given his track record during the campaign where he on multiple occasions took diametrically opposite points of view, it is factually unclear exactly how this should be interpreted.

It is equally clear that his views has been widely interpreted as a desire to become protectionist – and given his campaign rhetoric, such an interpretation can certainly be given justification. But let us be clear – in actual fact, this is an interpretation, not a fully worked out strategy.

We are therefore at a point where there is the risk of protectionist moves by the USA in the coming years. Should this happen it could clearly have negative effects on demand developments. However, we should then ask ourselves whether the negative effects of this is any more threatening to the industry than other such negative trends – key amongst which are the demographic shift where an ageing population use more money on healthcare and other services than physical trade goods, as well as an economy increasingly delivering intangible goods online. And this is even before we begin to speculate as to the long-term ramifications of near-shoring and 3D printing.

Hence, while the new president might indeed usher in an era of more protectionism – which would be detrimental – this would "merely" add another push to a development which is already challenging the long-term development of this industry.



Transpacific: Rate or Market share?

Deployed capacity on the Transpacific is down, but with limited blank sailings in sight. The ball is in the carriers' court – blank sailings to focus on rates, or forego rates and get Hanjin's boxes.

In the wake of Hanjin's collapse and the fast approaching Christmas period, it is of interest to understand the current capacity outlook for remainder of 2016 in critical deep-sea trade lanes.

This analysis is a continuation of the one from last week's issue of the SeaIntel Sunday Spotlight, where we analysed the current capacity outlook for the Asia-North Europe and Asia-Mediterranean trade lanes in 2016-Q4. Therein, it was found that capacity on the Asia-North Europe trade lane is roughly on par with the same period last year, despite the withdrawal of several weekly services.

The underlying reason for this development was that carriers have, at least not yet, announced blank sailings to the same degree that they did in 4th quarter last year.

In this issue of the Sunday Spotlight, we will analyse the 2016-Q4 capacity outlook for the Asia-US West Coast and Asia-US East Coast trade lanes. Again, with the aim to understand likely capacity developments versus last year.

Similar to last week, we will focus our attention on the amount of blank sailings that the carriers have so far opted to implement.

Methodology

The data for this analysis has been sourced from SeaIntel's Trade Capacity Outlook database, which monitors actual week-on-week deployment in the major deep-sea trade lanes, both historically and 12 weeks into the future.

The analysis focuses on a yearly comparison of the capacity announced for the Asia-US West Coast and Asia-US East Coast trade lanes across 2016-Q4. It is worth mentioning that due to sizeable seasonal capacity fluctuations skewing the data, we have decided to exclude the weeks in which capacity was affected by the Golden Week holiday in early October. Hence, the analysis is based on the period from week 43 to week 52 in 2015 and 2016.

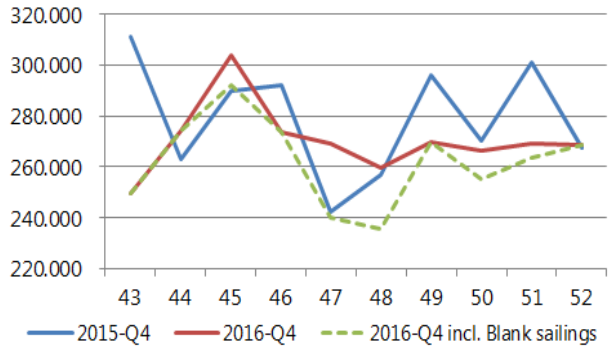
Furthermore, we need to take into account what the potential effect of blank sailings might be. Given that blank sailings are often announced with

a very short notice, we have instead calculated the ratio of blank sailings seen in each week in 2015-Q4 and assumed that all else being equal, the carriers might follow a similar pattern of behaviour.

Asia-US West Coast

Figure A1 shows the capacity outlook for the Asia-US West Coast trade lane in 2016-Q4 based on the current schedules, the actual deployment in 2015-Q4 and finally the capacity outlook in the case where carriers would blank capacity to the same degree as they did last year.

Fig. A1: Asia - US West Coast Capacity Outlook Y/Y



Even without additional blank sailings, the deployed capacity outlook for the Asia-US West Coast trade lane is down by 3.1% compared to last year.

If we look at the number of services available for the shippers on this trade, we find that whereas carriers offered 40 fixed weekly services in 2015-Q4, this has decreased to 38 in the current quarter.

This is due to the withdrawal of eight services from the same period last year, and the launch of six new services from the carriers. The collapse of Hanjin contributed to the withdrawal of three services – PNH, HPM and CAX – from the trade lane, which accounted for almost 7% of the total weekly capacity. The withdrawal of Hanjin's capacity from the trade lane has definitely benefitted the other carriers, as spot rates finally turned back to sustainable levels.

We have in the meantime experienced carriers launching new services in this trade lane. For instance, we have seen Hyundai Merchant Marine launch the HNS (Hyundai New Start) service, with five vessels of 4,700-6,800 TEU deployed on the service.

Until now, the carriers have not announced any blank sailings on this trade lane. This could mean that the carriers might be trying to fully profit from the current higher rates, which can be seen as a rather small consolation for the carriers after a tough year.

The green dotted line in figure A1 shows what the trade lane capacity outlook would be if carriers would implement the same ratio of blanked sailings as last

year in the same period. Last year, carriers decided to cut capacity mainly around week 47 and 48, as there would likely be lower imports in the US during the Christmas period.

If carriers would use the same ratio of blank sailings as in 2015-Q4, the capacity would reach a level a full 6% below the capacity offered last year.

Which one of these two scenarios are we then most likely to experience?

On one hand, the first scenario will see carriers not blanking any sailings. This would seemingly allow them to try to maximize the benefit from the strengthened freight rates as well as keep them in the game to win parts of Hanjin's former market share.

In the alternate scenario, where carriers blank capacity in the same way they did last year, they might actually manage to bring freight rates to an even more profitable level. Given the GRI announcements for December ranging from 400-1000 USD/FFE it would certainly appear as if they want to strengthen levels further.

Herewith, the carriers face the classical game theoretic dilemma following Nash' game theory.

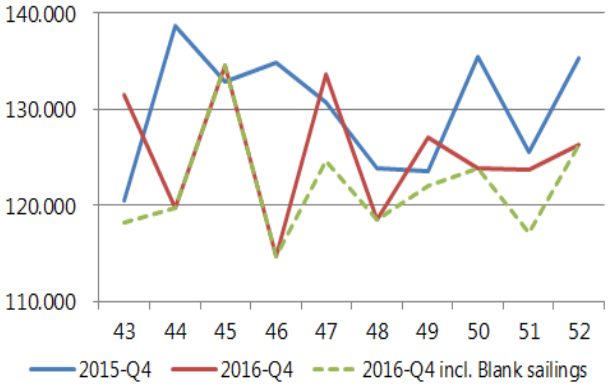
If carriers act in the best interest for the industry as a whole – hence blank some capacity in line with last year – they will collectively be able to achieve better freight rates.

However, if only a few carriers weigh volume and market share above further rate increases, we will not see blank sailings to the same degree as last year, in turn undermining the market strength that has been the result of Hanjin's untimely demise. That this negative outcome is a very real possibility is seen from the simple fact that spot rates this week declined as much as 9.1%.

Asia-US East Coast

In figure A2 we show the capacity outlook for the Asia-US East Coast trade lane in 2016-Q4, compared to the same period last year.

Fig. A2: Asia - US East Coast Capacity Outlook Y/Y



We find that capacity for the trade lane will be down by 3.7% in 4th quarter year-on-year even without additional

blank sailings. This far the only one blanked sailing registered is in week 48 for the NUE service from CKYE

A trend that is worth noticing is the very high volatility exhibited this year compared to last year, with weekly swings of some 20.000 TEU for a substantial part of the period.

If carriers were to implement the same ratio of blank sailings as they did in the same period last year, the capacity outlook for the trade lane would be for a – very substantial – 6.3% capacity reduction.

The two scenarios we can possibly face are therefore close to the ones we found on the Asia-USWC trade lane. If carriers decide to blank more sailings, they might be able to maintain freight rate at sustainable levels, or even increase them. But with a focus on volume, rates can come under pressure – this week we have seen spot rates decline 4.4%, a rate of decline otherwise not seen in the past 7 weeks.

Conclusion

The analysis has shown that the carriers are in a position where, if they decide to blank sailings as they did in the end of 2015, then we would likely see freight rates increase even further, and remain compensatory for the rest of the year.

However, presently there is nothing indicating that this is a path the carriers want to pursue – it would appear that the desire to win over Hanjin's lost market share is higher than the desire to strengthen rates – at least for some carriers. And with these types of "games" it only requires one or two carriers to place market share over freight rates, in order for the whole industry to miss out on the freight rate effect altogether.

Port-Pairs offered by the new alliances

The two new alliances offer a very broad spectrum of port pairs, and 2M appears to have been placed under significant competitive pressure.

April 2017 will mark the beginning of two new alliances – "The Alliance" and the "Ocean Alliance".

"The Alliance" will be formed by Hapag-Lloyd, K Line, MOL, NYK and Yang Ming. The members of the "Ocean Alliance" are COSCO, CMA CGM, Evergreen and OOCL.

As for the 2M alliance, there is still no official confirmation as to whether HMM will join as a third member of the alliance.

Recently the two new alliances have announced the port rotations of their new service networks. They have not yet provided details as to which vessels will be deployed on which services or what the schedules will look like, so therefore we do not know exactly how much capacity will be deployed on each trade lane, nor what will be the offered transit times.

Hence, in this week's Sunday Spotlight we will focus on the quantitative analysis which can be performed on the networks as they have so far been announced. Given the information provided, there are two analytical angles which can be covered. One is an analysis of the port pairs being served by the alliances – and is thus a measure of product differentiation. The other is a simple measure of the number of port calls per string, and is therefore an indication of network efficiency.

The "Ocean Alliance" has announced a service network which is almost complete in rotation details. However, "The Alliance" does not provide a full picture of their service network in various regions. Instead their announced rotation contains numerous placeholders such as "South East Asia Hub", "Pacific North West" and "UK".

The copious use of placeholders can logically be explained in two different ways: Either customers have levied pressure on "THE Alliance" to reveal their network early given the announcement by "Ocean Alliance" – and before all the details we fully in place. Or "THE Alliance" uses the uncertainties of their future network to put pressure on key ports and hubs when negotiating for terms for the new network.

Methodology

The data for this analysis was sourced from carriers' websites and their official announcements. For this analysis we have assumed that 2M service network will remain unchanged, as no announcements to the contrary has been made by 2M thus far.

It should be noted that we have structured the analysis based on the following key trades:

- Asia-Europe (including both European and Mediterranean ports)
- Asia-US East Coast
- Asia-US West Coast
- Europe-US East Coast

We have elected to focus the analysis solely on the head haul trades.

Additionally, it is important to highlight that "The Alliance" and the "Ocean Alliance" service networks are preliminary. They include undefined placeholder ports, such as South East Asia Hub, East Mediterranean Hub, Pacific South West (US), etc.

We have therefore, in the absence of other information from the two alliances, assumed that any placeholder will denote only a single unique port call, where it may be possible that they alliances in their final networks will use more than one regional hub

Network efficiency

As we have demonstrated on several occasions, most recently in Sunday Spotlight issue 286 from October 2016, whenever a vessel calls fewer ports in a rotation, it spends more time at sea. This leads to slower sailing speeds, and hence lower fuel costs. Or in a space-pressed scenario (which we currently do not have) a vessel could make more trips in a year, thus improving profitability.

The number of port calls on a rotation is therefore an indication of network efficiency.

Fig. B1 - Average Number of Port Calls in the Trade

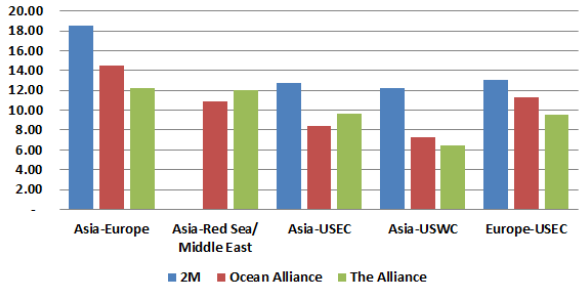


Figure B1 shows the average number of port calls per rotation across the different trade lanes offered by the three alliances.

As can be seen in figure B1, Ocean Alliance has the lowest number of port calls in the Asia-USEC and Asia-Red Sea/Middle East trade lanes, whereas THE Alliance has the lowest number on the other three trades. Again, we have to caution, as for THE Alliance a large number of placeholders are used in the

rotation and our analysis is predicated on each placeholder eventually corresponding to only one port. If more ports are inserted into the placeholders, it is clear that especially on the Asia-USWC and the Transatlantic trade lanes Ocean Alliance could rapidly take the lead on as having the most efficient setup.

It is furthermore very important to note that 2M has the highest number of port calls per rotation in all trades. Of course there are many parameters which make up the efficiency of a global network, and the number of port calls per rotation is only one of those parameters. However, for this one isolated parameter it is clear that 2M is outperformed by the announced networks of the two new alliances.

Furthermore, a larger number of port calls also has the effect of longer transit times between some of the ports – rendering some of 2Ms combinations less competitive. However, as we have not yet seen the actual transit times announced by Ocean Alliance and THE Alliance we cannot say which port combinations will be affected.

Additionally, every time a port is called there is risk of becoming delayed. A larger number of ports will therefore, all else being equal, also increase the risk of cargo delays.

Hence, based on the current announcements from Ocean Alliance and THE Alliance, it is clear that their new networks at the outset are designed to be more efficient than the existing network from 2M.

Asia-Europe

Next, we will examine the number of total and unique port-pairs offered by the three alliances on the head haul, while excluding the port-pairs on the back haul.

Fig. B2 - The number of Port-Pairs in Asia-Europe

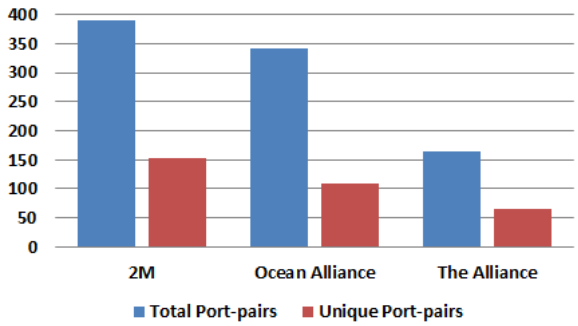


Figure B2 illustrates the distribution of total and unique port-pairs offered by 2M, the "Ocean Alliance" and "The Alliance" from Asia to Europe, while also including port calls in Mediterranean. Total port pairs includes port pairs that are covered multiple times per week, whereas unique port pairs only count whether a particular pair is covered

directly or not in addition to being unique to the alliance in question.

If the 2M alliance service network remains unchanged, they would clearly have the biggest number of unique port-pairs, which is currently 154, while the Ocean Alliance will be offering 109 unique port combinations.

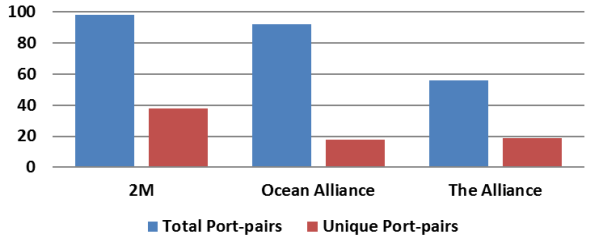
"The Alliance" offers only 62 unique port-pairs in the Asia-Europe trade, which would appear to put them on the back foot.

Given the large number of placeholders in the schedule from THE Alliance we cannot with authority yet pinpoint where each of the 3 alliances have unique direct coverage that no other alliance provides. When the network of THE Alliance is finalized, we will revert with an analysis on this topic as that will be vital to understand this aspect of competitiveness between the three alliances.

Asia-US East Coast

The results for the Asia-US East Coast trade is illustrated in figure B3.

Fig. B3 - The number of Port-Pairs in Asia-US East Coast



2M and the "Ocean Alliance" will offer a similar number of total port combinations of nearly 100. However, the 2M alliance offers twice as many unique port-pairs compared to "Ocean Alliance".

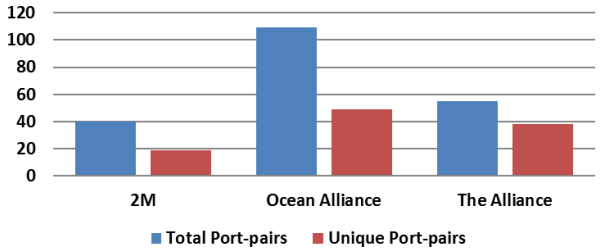
"The Alliance" has not yet revealed which ports will be called in South Atlantic (US). Hence, we cannot determine the exact number of unique port-pairs offered, but we expect it will be approximately 20 out of 60 total combinations in the trade lane.

"The Alliance" will offer unique port combinations from Laem Chabang and Tokyo, while the "Ocean Alliance" from Port Kelang to US East Coast.

Asia-US West Coast

Figure B4 shows the distribution of total and unique port-pairs between Asia and US West Coast.

Fig. B4 - The number of Port-Pairs in Asia-US West Coast



Here it is clearly seen that the newly announced networks by the two new alliances will provide for a much more fine-grained as well as unique direct

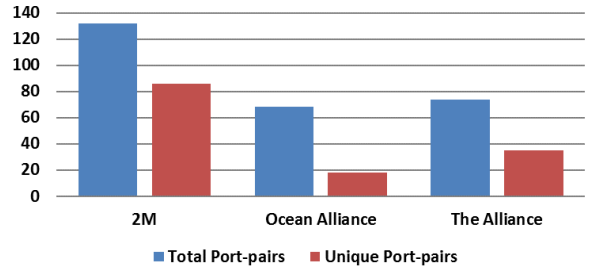
port coverage than the network currently provided by the 2M alliance. Once again, if placeholders for the new alliances turn out to encompass more than just one port, their number of direct ports covered will increase.

It is therefore clear that the 2M alliance will have a distinct disadvantage with their current network. Not only will they have far fewer unique products, they will also have to rely on more transhipment products then their competitors.

Europe-US East Coast

The last trade lane that we would like to include in this analysis is Europe-US East Coast. It is important to note that we have included ports located in both North Europe and Mediterranean regions.

Fig. B5 - The number of Port-Pairs in Europe-US East Coast



As can be seen in figure B5, the alliance having the highest number of port-pairs from Europe to US East Coast is 2M, which offers nearly 130 port-pairs and 80 unique port-pairs.

Despite the fact that "The Alliance" offers preliminary 35 unique port-pairs, which is the second biggest number, it is still unclear which ports "The Alliance" will call in UK and South Atlantic (US).

The least number of unique port pairs will be offered by the "Ocean Alliance" with a mere 18 combinations.

Conclusion

Whilst many details are still unknown about the Ocean Alliance and THE Alliance networks, it is clear that they will become significant competitors to 2M in terms of products being offered, and 2M will especially find themselves challenged on the Transpacific.

This in turn also leads to the conclusion that the formation of the two new alliances will not result in a poorer choice of product for the shippers – in actual fact it appears that they will be offered more direct products than they are being offered currently.

Finally, the analysis also shows that it is highly likely we will see network changes from 2M as a competitive response to the new networks – especially on the Transpacific where the possible addition of HMM – and perhaps the Zim volumes given recent market speculation by Wall Street Journal – could lend the volumes necessary to broaden the product portfolio.

Global recovery: 2019 or 2020

If the market demand growth is in a "new normal" with standard 3.4% demand growth, accelerated scrapping only leads to structural supply/demand recovery in 2019 or 2020.

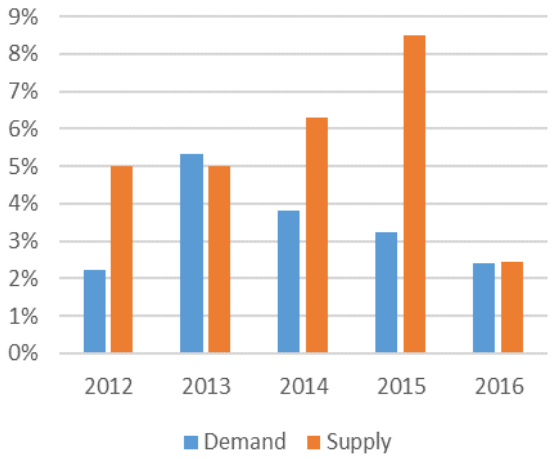
Given the current appalling state of imbalance between supply and demand, it remains a key topic of interest as to when we can expect a structural recovery.

Of course, that begs the very simple question: What do we mean by "recovery"?

The mere fact that carriers have become much more cost efficient means that we will never get sustained freight rates over a long period, especially not at levels matching what they were a number of years ago. We are, and have been for many years, in a deflationary environment for rates. That does not mean rate cannot go up from the present levels. The current levels are clearly non-compensatory, and hence a sign that rates for now have fallen further than what the usual rate deflation can account for. This is brought about by the current structural imbalance in the market.

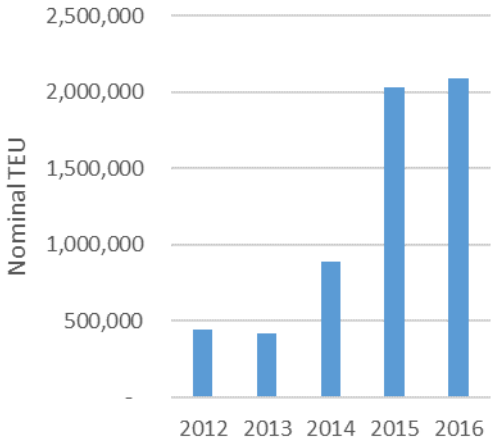
When we say structural imbalance, we are really looking at the ratio between the size of the global fleet and the amount of cargo to be moved. Figure 1 shows how this has developed in the period following the financial crisis. Data for 2016 is based on the demand growth for January to September and we then assume the growth will be maintained for rest of 2016.

Fig.1: Demand and supply growth



From figure 1 it is clear how capacity has outgrown demand since 2011. From a nominal perspective we can therefore calculate the magnitude of the structural overcapacity – i.e. the accumulated excess capacity delivered which was not warranted by the demand growth. This is shown in figure 2.

Fig.2: Structural overcapacity



Of course, we know that in the period from 2011-2014 this is where carriers first introduced slow steaming, then followed by what was called super-slow steaming. This means that even though the structural overcapacity grew to almost 1 million TEU in 2014, this excess capacity was largely absorbed by the extra capacity needed to cater for the slower sailing speeds. However, from 2015 slow steaming had reached a natural endpoint and any further excess capacity injections were truly in excess of any need. This means that in 2015 alone we saw the injection of more than 1 million TEU of unwanted capacity.

In 2016, we have thus far seen 500,000 TEU of scrapping, and in our projection for full year 2016 we have assumed this to reach 600,000 TEU in total. This means that supply and demand growth will almost balance in 2016, not adding further to the overcapacity situation.

How long will it be before the market becomes structurally rebalanced? The answer to this question is 2019 or 2020, but let us see how we arrive at this outlook.

From a global demand perspective, we have seen average demand growth of 3.4% in the period since the financial crisis. In the same period we have seen average global GDP growth of 2.5%. We can then adopt two different approaches for our long term forecast.

We can either adopt the notion that 3.4% annual demand growth is the "new normal" – as opposed to the 8.5% growth we saw in the 80's, 90's and 00's.

Or we can adopt the notion that the rule-of-thumb that there is a GDP multiplier between container demand growth and GDP growth holds up – in which case the GDP multiplier is 1.37 as opposed to the "old days" where this multiplier had a value of 3.

Pertaining to the capacity growth, we will adopt the positive approach that no net additional capacity will be ordered until the markets have rebalanced themselves. This does not

mean that we will not see any orders at all, but we will take it to mean the following:

For 2017 and 2018 we will look at two different scenarios. One being that we will see additional scrapping of 500,000 TEU of capacity in both 2017 and 2018. The other scenario being an assessment that scrapping will reach a level where capacity growth will be reduced to match demand growth.

For 2019 and beyond we will assume that there will be no net additional capacity injected at all. This means that for these years, any new orders will be matched with an equal amount of scrapping – i.e. a perfect balancing of orders matching any necessary fleet renewal. Clearly, this is a scenario intended to examine how quickly structural global balance can be restored, should all carriers act prudently in this respect.

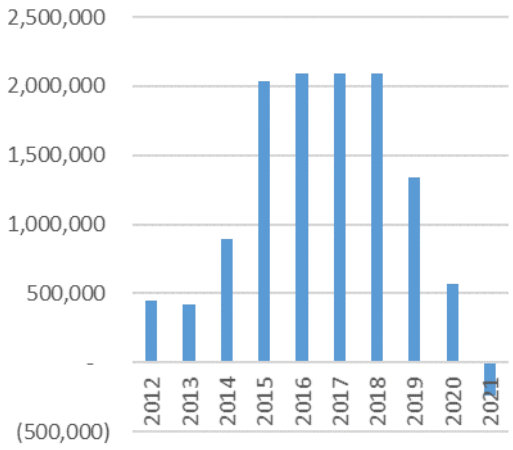
Best case scenario

In the best case scenario we will see demand develop in accordance with the GDP-to-TEU multiplier of 1.37. According to the World Bank we should expect GDP growth of 2.8% in 2017 and 3.0% in 2018. This translates into 3.8% demand growth in 2017 and 4.1% demand growth in 2018. In keeping with the best case scenario, we will assume the 4.1% demand growth will persist after 2018.

In terms of capacity we will adopt the aforementioned assumption that scrapping in 2017 and 2018 will reach a level where the capacity growth will be curbed to match demand growth. In this case, we would need to see 945,000 TEU of scrapping in 2017 and 419,000 TEU of scrapping in 2018.

Using this positive projection, figure 3 shows the anticipated development of the global overcapacity.

Fig.3: Overcapacity
Best case



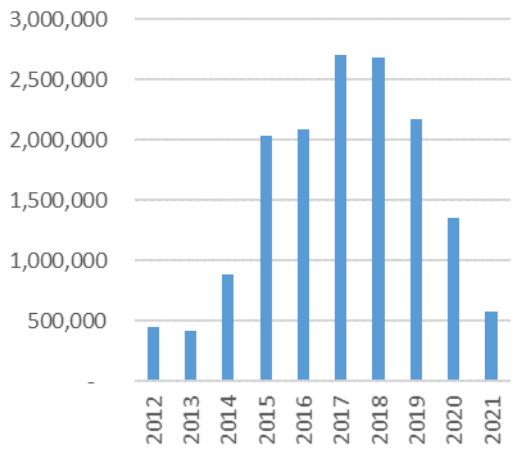
As can be seen, the turning point will happen during 2019 and by 2020 the global structural balance will reach the levels last seen in 2013. Hence if oil prices revert to their former high levels, thus ensuring continued slow steaming, this is when global structural balance will be regained.

Additionally, we can see that the situation will be turned on its head in 2021 – although realistically this situation would likely result in a rapid escalation of net new orders.

Worst case scenario

The "worst case" in this context is not genuinely worst case. It still assumes that demand growth will follow the new normal of 3.4% global demand growth and also that carriers will at least scrap 500,000 TEU of capacity in both 2017 and 2018. It also assumes no net capacity growth thereafter.

Fig.4: Overcapacity, Worst case



Using these assumptions, the projection of global overcapacity is shown in figure 4.

As can be seen, under these conditions the global overcapacity in 2017 and 2018 will be materially worse than in 2016. This is due to the simple fact that the current orderbook amounts to 8% of the total fleet. Even with 500,000 TEU of scrapping, we will still see a capacity growth of 5.6%, significantly exceeding demand growth.

From figure 4 we can see that a structural rebalancing of the markets will not happen until 2020 at the earliest, with a substantial strengthening set for 2021.

Conclusion

The problem here is one of "what do we do?"

Even the positive scenario only sees an improvement in the market conditions by 2019 – 3 years into the future. Realistically, a number of market participants are highly unlikely to survive another 3 years matching current conditions.

We could of course hope that market demand will revert to, say, 6-8% annual growth which would speed the recovery up somewhat – though still does not create balance until 2018 at the earliest. And this is still under the condition that we see more than a million TEU being scrapped in the next two years.

This in turn tells us that something else is bound to change materially – the

supply/demand analysis in itself ceases to be an accurate predictor of actual developments.

Under these circumstances it appears inevitable that some market participants are bound to take material losses. Whilst pressure will still be on the carriers, increasingly non-operating owners will find themselves stuck with assets that nobody wants to charter. This will partly force some to take a loss by scrapping the assets earlier than planned, and force others into bankruptcy.

However, the trouble of the non-operating owners opens the door for new opportunists to set up new liner services using extremely cheap assets – a development which will place an upper limit of the magnitude of any strength seen in a market recovery.

Hence, despite the positive developments seen in last couple of months, the industry is far from out of the woods. Given the fact that all players cannot survive another three years of the current environment, there is a good case to be made that we will indeed see scrapping soar to historical levels, and we will see the overcapacity slowly become reduced - and as carriers begin to redeliver more charter tonnage, the woes are shifted to the non-operating segment of the market.

Carrier Service Changes

The "Ocean Alliance" announces service network

The "Ocean Alliance", which is comprised of Evergreen, OOCL, CMA CGM and COSCO, has recently announced the service network for the major East/West trades. The carriers will deploy around 350 container vessels with a total capacity of approximately 3.5m TEU. The "Ocean Alliance" will offer the following services:

- 20 Transpacific services: 4 Pacific Northwest (PNW), 9 Pacific Southwest (PSW) and 7 Asia-East Coast North America and US Gulf (AWE).
- 11 North Europe/Mediterranean services: 6 North Europe (NEU), 5 Mediterranean (MED).
- 3 Transatlantic services (TAT)
- 7 Far East-Middle East services: 5 Middle East (MEA), 2 Red Sea (RES).

"The Alliance" announces service network

"The Alliance" formed by K Line, MOL, NYK, Hapag-Lloyd and Yang Ming has announced a new network comprised of 31 services from April 2017. The carriers will deploy around 240 ships. Their service network will look as following:

- 16 Transpacific services: 3 Pacific Northwest (PN), 8 Pacific South West (PS), 5 Far East-US East Coast (EC)
- 8 Europe/Mediterranean services: 5 North Europe (FE), 3 Mediterranean (MD).
- 6 Transatlantic services (AL).
- 1 Far East-Middle East service (AGX)

Carriers to launch a new Europe-Mediterranean service

CMA CGM has announced the launching of a new FEMEX service together with Seago Line and Hamburg Süd, connecting Europe to Mediterranean. The service will be operated by 2 CMA CGM vessels, 2 Seago Line vessels and 1 Hamburg Süd vessel with an average vessel capacity of 6,500 TEU. The first sailing on the FEMEX service will be performed by "CMA CGM Rabelais" vessel, which arrives to Rotterdam on 2nd December.

The port rotation of the FEMEX service is as follows *(13 port calls)*:

Felixstowe – Rotterdam – Bremerhaven – Antwerp – Marsaxlokk – Piraeus – Gebze – Ambarli – Gemlik – Aliaga – Marsaxlokk – Valencia – Tangiers – Felixstowe.

Carriers to launch Asia-Australia service

MOL in collaboration with Maersk Line, MSC and Hamburg Süd will launch a new China-Taiwan-Australia Express service, connecting Asia to Australia from May 2017.

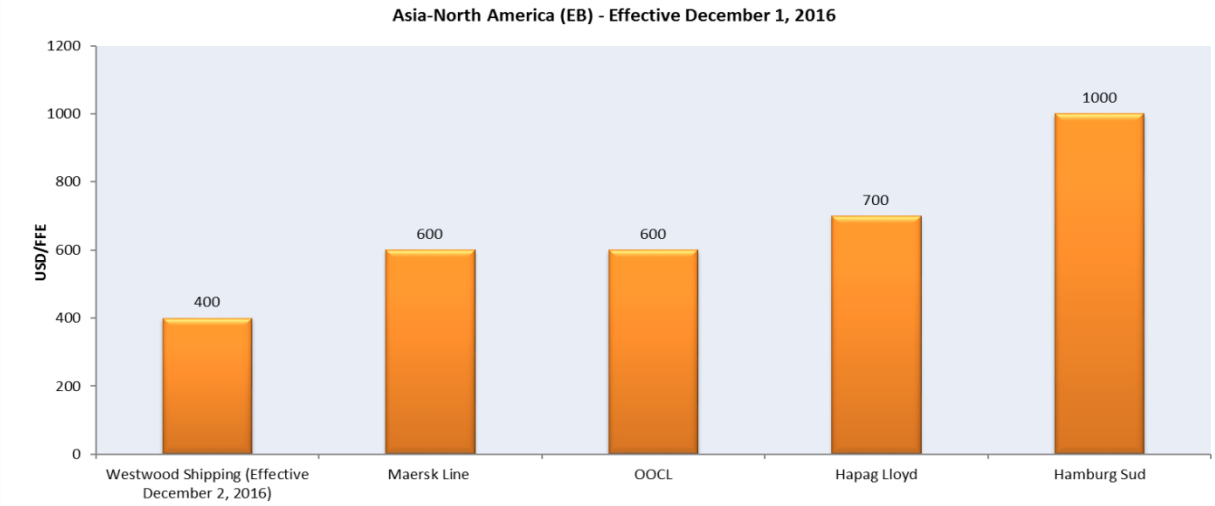
The new CAE/Panda/Yoyo service will have the following port rotation (*8 port calls*): Kaohsiung – Xiamen – Nansha – Hong Kong – Yantian – Melbourne – Sydney – Brisbane - Kaohsiung

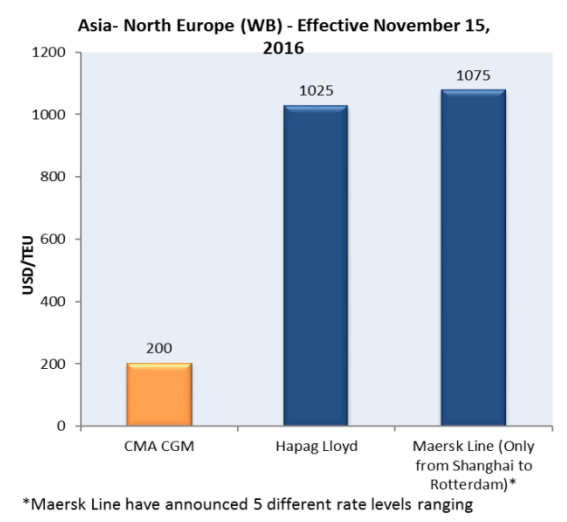
In addition, MOL will join the Boomerang/New Wallaby service as operator. The carrier will contribute with 3 vessels. The service is currently offered by Maersk Line and MSC. MOL will call the service the Asia-Australia Express service. The changes will be effective from May 2017.

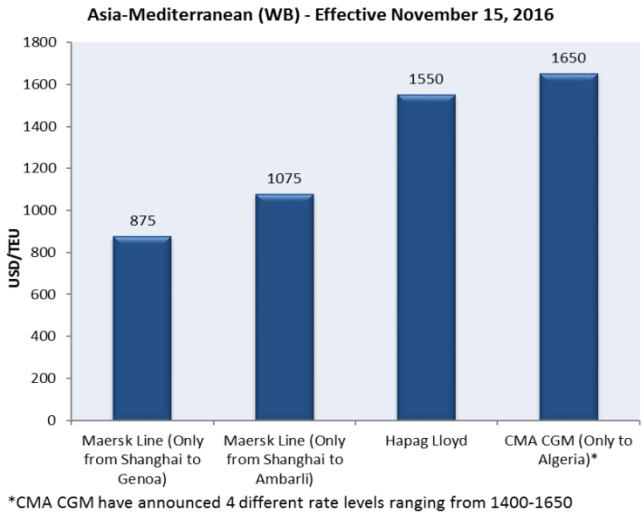
The port rotation of the Asia-Australia Express/Boomerang/New Wallaby service is as follows (*21 port calls)*:

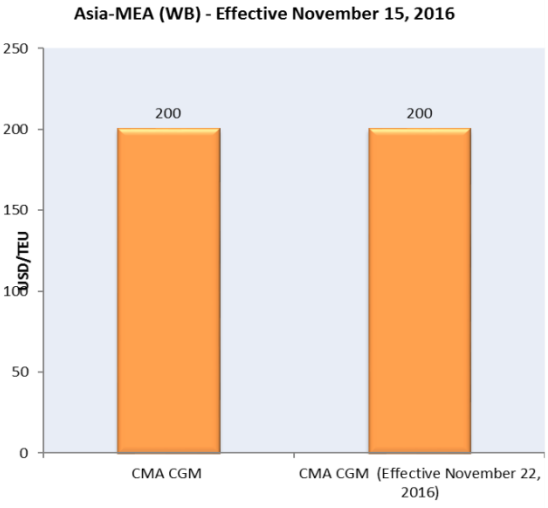
Yokohama – Osaka – Busan – Qingdao – Shanghai – Ningbo – Brisbane – Sydney – Melbourne – Adelaide – Fremantle – Tanjung Pelepas – Singapore – Laem Chebang – Tanjung Pelepas – Singapore – Fremantle – Adelaide – Melbourne – Sydney – Brisbane and back to Yokohama.

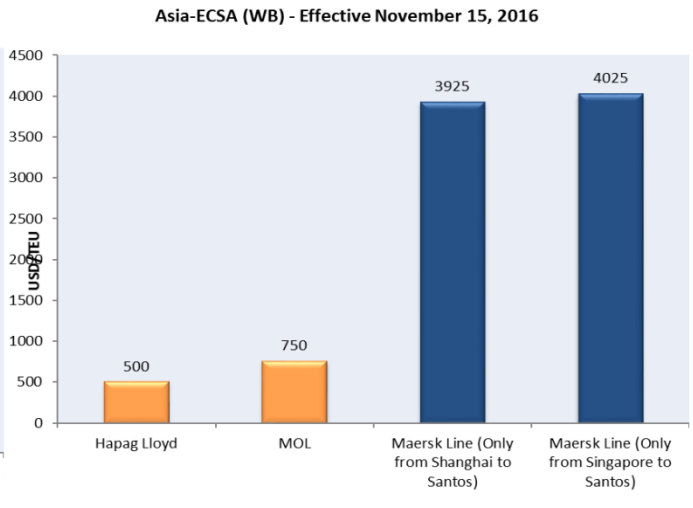
Carrier Rate Announcements



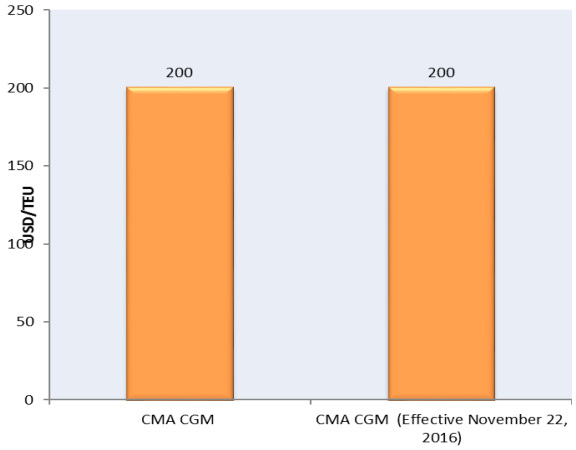




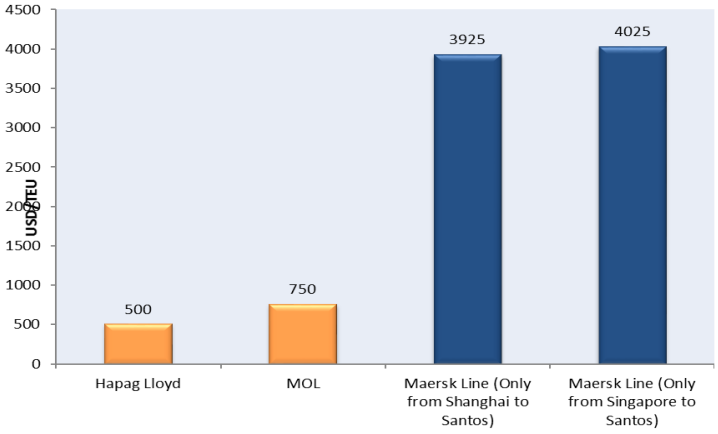




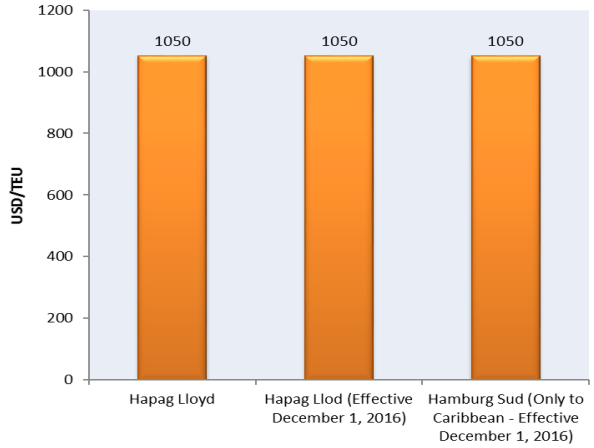
Asia-MEA (WB) - Effective November 15, 2016



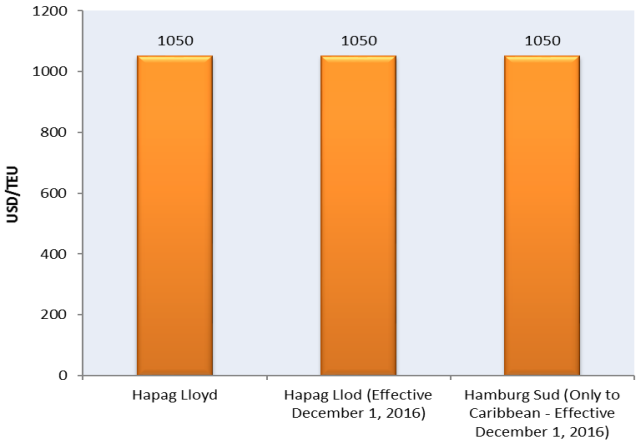
Asia-ECSA (WB) - Effective November 15, 2016



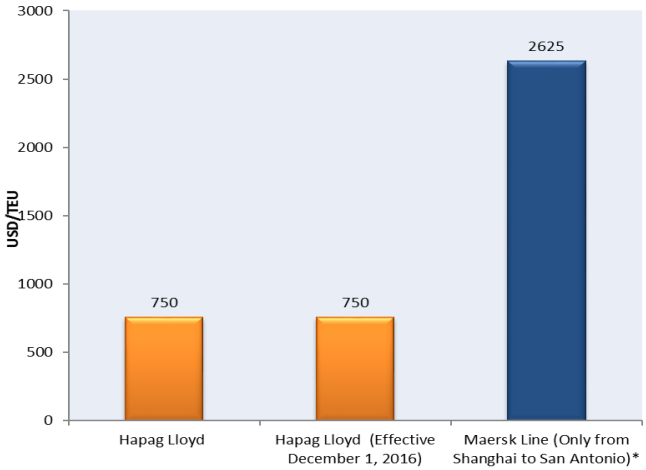
Asia-Caribbean/East Coast Central America/Gulf of Mexico (WB) - Effective November 15, 2016



Asia-Caribbean/East Coast Central America/Gulf of Mexico (WB) - Effective November 15, 2016

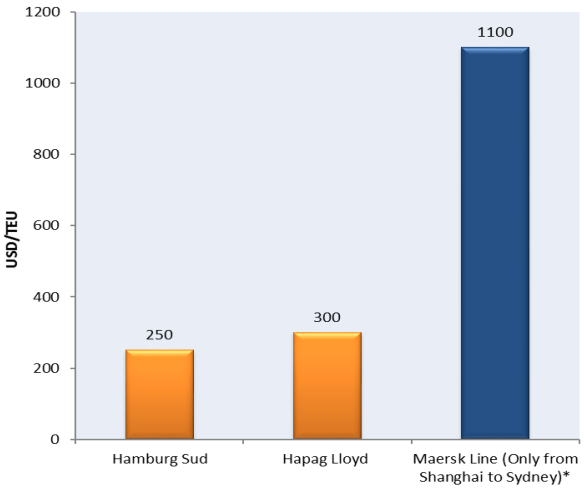


Asia-WCSA and West Coast Central America (WB) - Effective November 15, 2016

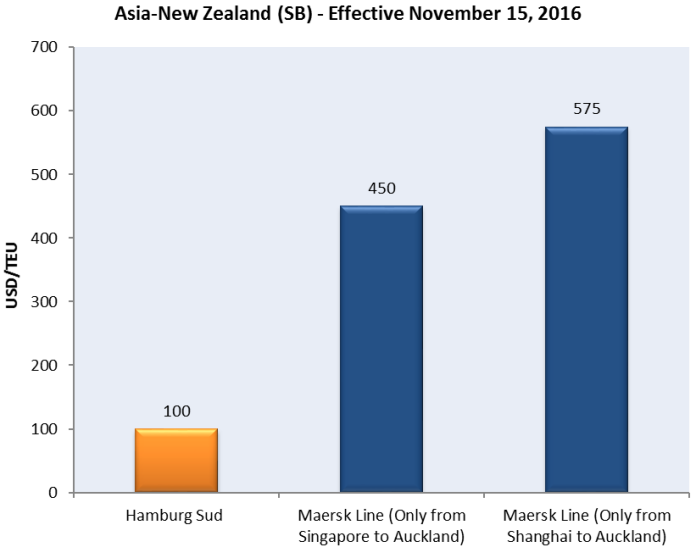


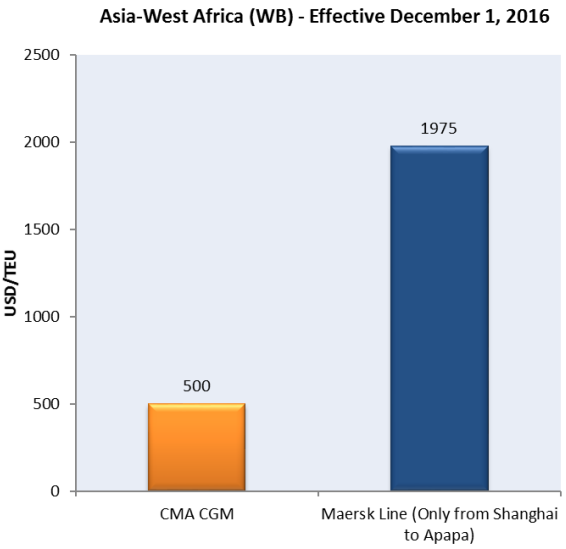
*Maersk Line have announced 8 rate levels ranging from 2625-

Asia-Australia (SB) - Effective November 15, 2016

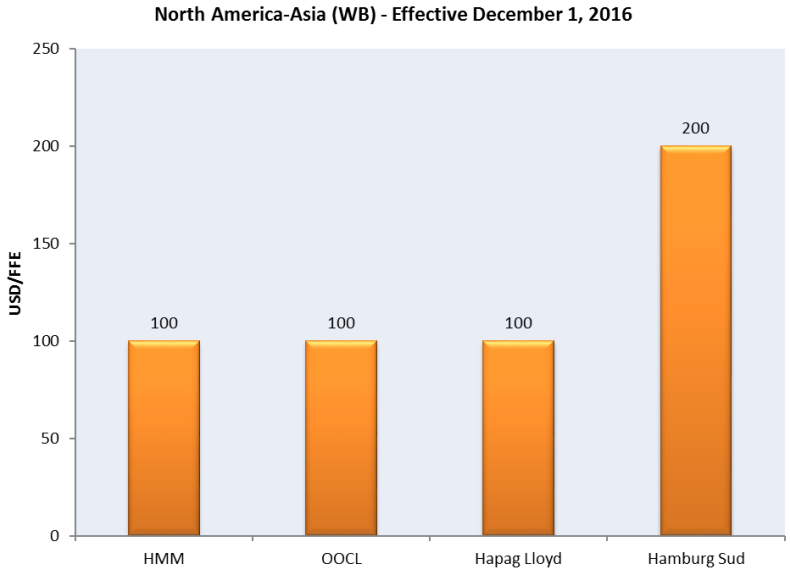


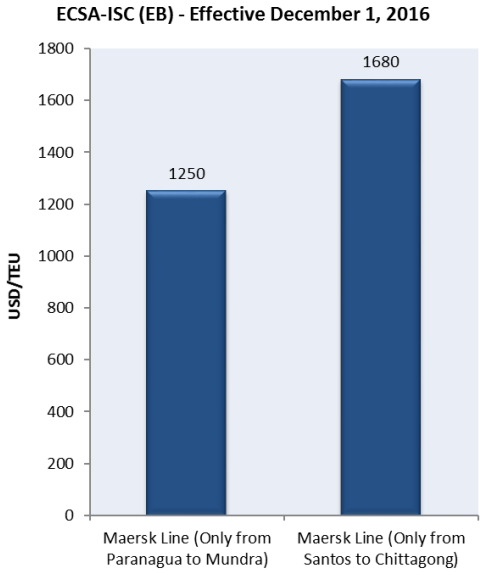
*Maersk Line have announced 4 different rate levels ranging from 450-1100 l

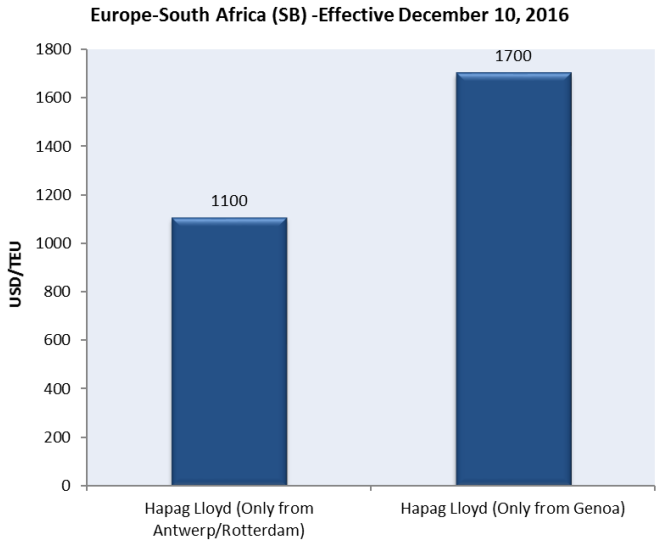




Maersk Line have announced 12 different rate levels ranging from







Tradelane	Carrier	Rate increase	Effective date
Asia-Arabian Gulf (WB)	Hapag Lloyd	200 USD/TEU	November 15, 2016
North America-ECSA (SB)	Hamburg Sud	150 USD/TEU	November 15, 2016
ISC/ MEA-West Africa/ South Africa (SB)	CMA CGM	250 USD/TEU	November 15, 2016
Asia-ISC (WB)	CMA CGM	100 USD/TEU	November 15, 2016
Asia-WCSA and Central America (EB)	Hamburg Sud	500 USD/TEU	November 15, 2016
Asia-South Africa/ Mauritius (WB)	CMA CGM	300 USD/TEU	December 1, 2016
Tradelane	**Carrier**	**Rate level**	**Effective date**
North Europe-Asia (EB)	CMA CGM	650 USD/TEU	November 15, 2016
ECSA-North Europe (NB)	Maersk Line	675 USD/TEU	December 1, 2016
ISC-Tanzania/ Kenya (SB)	CMA CGM	850 USD/TEU	December 1, 2016

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