



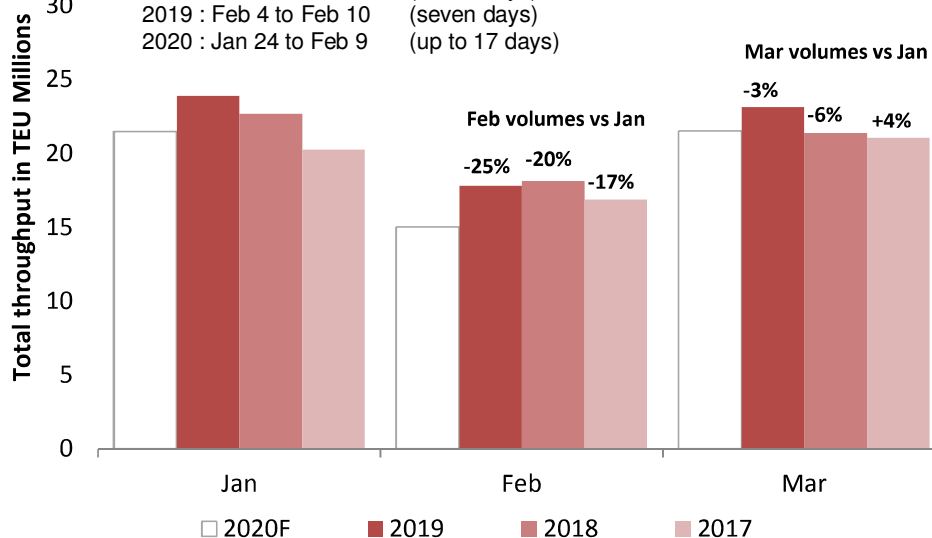
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Chart of the week

Comparing impact of Chinese New Year on Chinese container volumes 2017-2020

Chinese New Year holidays

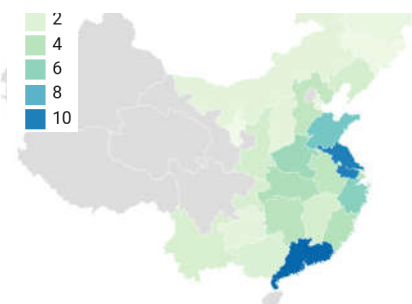
2017 : Jan 27 to Feb 2 (seven days)
2018 : Feb 15 to Feb 21 (seven days)
2019 : Feb 4 to Feb 10 (seven days)
2020 : Jan 24 to Feb 9 (up to 17 days)



At least 24 key provinces and municipal governments in China have announced extended Chinese Lunar New Year holidays until 9 February 2020, with Hubei, the epicenter of the coronavirus outbreak extending the holidays until 13 February.

The affected areas accounted for over 80% of China's GDP and over 90% of total exports:

China: GDP by Province (in trillion RMB)



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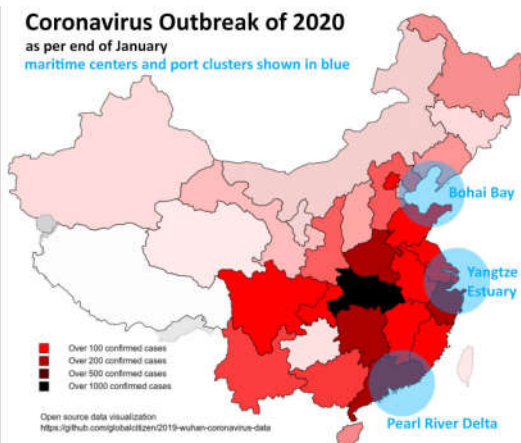
Coronavirus could dampen 2020 box volume growth by 0.7%

Alphaliner estimates that the extended Chinese Lunar New Year holidays, an ad hoc emergency measure to curb the spread of the highly-infectious coronavirus, will reduce container cargo volumes at Chinese ports (including Hong Kong) by over 6 Mteu in the first quarter of 2020. This volume contraction is expected to reduce global container throughput growth by at least 0.7% for the full year.

The full impact of the Chinese coronavirus outbreak on container volumes will not be fully measurable until ports announce their throughput numbers for the first quarter, but data collected on weekly container vessel calls at key Chinese ports already shows a reduction of over 20% since 20 January.

On top of service reductions announced earlier, carriers reacted to the situation with additional void sailings in February, thus accounting for reduced cargo volumes. Since these extended void sailing programs on long haul services are slated to continue until mid-March, any cargo volume recovery could be negatively affected, even after the end of the holidays.

Carriers nevertheless continue normal cargo loading and unloading at all Chinese ports, except at the river port of Wuhan, where operations have been suspended since the city was locked down by the Chinese government on 23 January. Wuhan, the epicentre of the coronavirus outbreak, handled 1.7 Mteu of container cargo in 2019, accounting for 0.6% of total Chinese port throughput.



Coronavirus Outbreak of Wuhan

Quick facts

- More than 20,000 known cases of corona virus infection
- More than 400 reported death in China
- Vast majority of cases in China
- Over 100 confirmed cases of infection outside mainland China
- Firth deaths have been reported outside China
- WHO declared the outbreak a public health emergency on 30 January
- Curbs implemented in several Chinese cities to stop the virus from spreading further.
- Major airlines have suspended or limited flights to China.
- Some nations decided to evacuate citizens from Wuhan, the centre of the outbreak
- Chinese New Year's holidays extended with 'stay-at-home' order.
- Many factories and shipyards in affected regions will be closed until at least mid-February.

Coronavirus fallout adds to ship conversion woes

As mentioned on page 1, the Wuhan coronavirus outbreak, which led to a spreading of the infectious disease into other parts of China, starts to have a substantial impact on the maritime industry.

Industrial production is affected, with negative consequences on exports, which trigger sailing cancellations and charterers issuing notices of redeliveries at the earliest contractual date. Other problems range from large-scale flight cancellations that impede crew changes, to severe staff shortages at many of China's most active shipyards.

For many of the worst-affected areas, Beijing has instated a 'stay-at-home' policy, which extends the traditional Chinese New Year holidays and mandates workers to extend their time off the workplace by at least a week.

Shipyards in the cities and provinces of Shanghai, Zhejiang, Jiangsu, Guangdong, Fujian and Anhui will only open from 10 February, rather than on 3 February as originally planned.

This will not only affect deliveries of vessel newbuildings, but it will contribute to the chaos that the current scrubber-retrofit frenzy has caused.

Even before the Coronavirus scare, many shipyards had already been unable to carry out vessel conversions as planned, since scrubber installations took longer than initially projected as yards went through a learning curve with this new task.

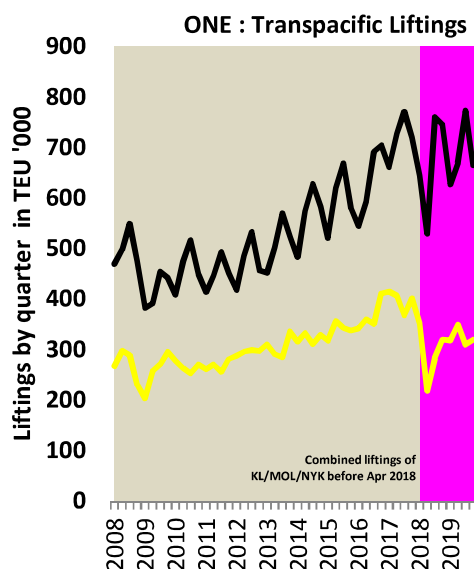
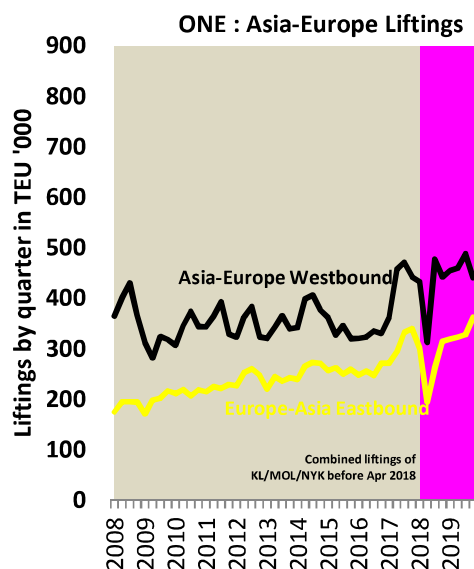
Such delays have not only affected ships under conversion, but they also delayed planned drydocking windows for vessels that queue up for retrofits.

In many cases, this has left ship owners and operators with the awkward decision of letting their tonnage idle in China until a new time slot for scrubber retrofit becomes available, or send these vessels on another round trip to Europe or the Americas.

The latter option of course means that the ship would have to perform the entire voyage on costly compliant fuels such as LSFO or MDO before finally moving into drydock in the second quarter of 2020.

This already chaotic situation has now been exasperated by the Corona-related problems. The Chinese government has allowed shipyards that cannot deliver newbuildings, repairs and conversions on time to declare 'force majeure', which means that contractual penalties or compensation for delayed vessel redelivery could be 'off the table'.

CORPORATE UPDATES



Lack of scrubber strategy proves costly for ONE

ONE has reported net profits of \$5 M in the fourth quarter of 2019 (third quarter of the Japanese fiscal year 2019-2020), reversing a loss of -\$179 M in the same quarter last year despite a 3.7% decline in total revenue of \$2,914 M compared to \$3,025 M last year.

ONE Financial Performance by quarter : 2018-2019

In US\$ Millions	2Q 2018	3Q 2018	4Q 2018	1Q 2019	FY 2018-19
Revenue	2,066	2,963	3,025	2,826	10,880
Net Profit/Loss	-120	-192	-179	-96	-586
Bunker \$/ton	407	457	487	420	444

In US\$ Millions	2Q 2019	3Q 2019	4Q 2019	1Q 2020F	FY 2019-20
Revenue	2,875	3,109	2,914	2,980	11,879
Net Profit/Loss	5	121	5	-49	81
Bunker \$/ton	432	419	417	561	457

The margin improvement was attributed to cost savings including lower average bunker fuel costs, which dropped by 14% compared to a year ago.

ONE reported rate and volume declines on their key headhaul Asia-Europe and Transpacific routes during the fourth quarter, but managed to reduce empty repositioning costs due to backhaul volume improvements.

The company warned that its 2020 first quarter results will likely be negative, with an expected net loss of -\$49 M. Average fuel costs are expected to increase by 33%, due mainly to the switch to IMO 2020 compliant fuel oil. ONE is currently the only Top-10 carrier that does not have any ships equipped with SOx scrubbers. Although the company said it now plans to retrofit scrubbers on their "core large ships", the delay has proven to be costly for ONE.

No. of scrubber fitted units operated as at 4 Feb 2020
Breakdown by Main Carriers

