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ADVOGADOS

# Hapag-Lloyd Swings to Loss on Tumbling Freight Rates

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German container shipping company Hapag-Lloyd AG said Wednesday it swung to a loss in the first half of the year as tumbling freight rates weighed on revenue.
The loss before interest and tax was €39.7 million ($44 million) in the January-to-June period compared with a profit of €267.7 million a year earlier. Revenue declined to €3.79 billion from €4.67 billion.

The results came amid a wave of consolidation sweeping the container-shipping industry, which is plagued by overcapacity, slowing global growth and plummeting freight rates. Amid these turbulent waters, a number of big companies are combining forces to cut costs and increase competitiveness.

Container ships move 98% of the world's manufactured goods, from iPhones and toys to designer dresses and heavy machinery. But a glut of shipping capacity in the water, estimated at around 30% above demand, has pushed freight rates to levels barely covering fuel and most operators deeply into the red.

"I think we have now seen the low (point) in the rates," Chief Executive Rolf Habben Jansen, said in an interview. "There is some recovery in some trades, although somewhat slow and in many cases not enough." He said it would take up to 18 and 24 months for freight rates to reach sustainable levels.

Monthly freight rates in the benchmark Asia-to-Europe trade averaged $620 per container over the past 12 months.

Shipping executives say anything below $1,400 is unsustainable in the long term.
Hapag-Lloyd said freight rates in the first half fell by around 20% on the year.

In late 2014, Hapag-Lloyd merged its container operations with Chilean carrier Compania Sud Americana de Vapores SA and was listed in Frankfurt in 2015. It expects to complete another merger with Dubai-based United Arab Shipping Co. by the end of this year to create the world's fifth biggest container operator in terms of capacity.

Mr. Habben Jansen said the long awaited consolidation and recently formed mega-alliances among the world's 10 biggest operators where they share ships and port calls will reduce the number competitors on major shipping routes and allow rates to gradually recover.

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"The number of players will significantly be reduced," he said. "You will see that in many trades 70% to 80% of the market controlled by four or five players. There will still be fierce competition but it will narrow down from 20 (operators) fighting for the same container."

The merger with UASC would provide Hapag-Lloyd access to six Triple-Es, the world's biggest container ships, which have become the weapon of choice in an arms race among the world's major operators. The ships can move more than 18,000 containers and are outfitted with efficient engines that can save on fuel.

UASC primarily operates in the Asia-to-Europe trade route, and a merger with Hapag would give it wider access to the trans-Atlantic and trans-Pacific loops.

Fonte: Wall Street Journal