

Hapag-Lloyd faces year of challenges

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GERMAN container line Hapag-Lloyd is facing another year in the red despite benefiting from much stronger freight rates in recent weeks.

That was the message on Monday from majority shareholder Tui, which said Hapag-Lloyd's results were expected to improve this year.

Even so, the line will still make a loss in 2010, according to Horst Baier, designated chief financial officer of major shareholder Tui, which controls 43% of Germany's premier container carrier and used to be its majority owner.

"The operating result in the first quarter of 2010 could still be worse than that of the fourth quarter of 2009," Mr Baier said.

Hapag-Lloyd recorded an operating loss (earnings before interest, tax and amortisation) of €21m (US\$28.5m) in the final three months of 2009 that

is the first quarter of Tui's 2009/10 financial year.

This was €13m worse than in the same 2008 quarter, but €219m better than the July to September period of 2009.

Hapag-Lloyd's latest results follow those of Neptune Orient Line, which last week reported a 2009 fourth-quarter loss of US\$211m that compared with a deficit of US\$149m in the corresponding period of 2008.

NOL owns container line APL, which is ranked number five in the world in terms of fleet capacity. The Singapore company was in negotiations to buy Hapag-Lloyd in 2008 but withdrew its offer when conditions in the container trades deteriorated as the banking system teetered on collapse.

Hapag-Lloyd was then plunged into crisis as its shareholders squabbled throughout much of last year about how to save the line from going under and demanded some tough action by management.

That included a €1.1bn cost-cutting program which was well under way, with measures amounting to €820m already realised, Mr Baier said.

The efficiency drive includes 500 job cuts out of a total headcount of 7,700.

Hapag-Lloyd might not need to use the €1.2bn worth of government guarantees that were granted last year when the company needed to be bailed out by its shareholders, which include a consortium of Hamburg companies and the local government, Mr Baier said.

The German Federal Government also stepped in with the offer of bank guarantees that are now the subject of a Brussels investigation.

But it is too early to be certain about whether the guarantees will be required as some new ships had to be paid for.

Hapag-Lloyd will take delivery of six new ships in 2010 and a further six vessels in 2011 and 2012.