SHIFTING ALLIANCES AND THE IMPACT ON TERMINAL OPERATORS

A few strategic issues

Philip Damas, Head of Logistics Practice, Drewry
JOC Port Performance North America conference
December 6, 2016
Higher concentration of volumes, fewer alliances

Operational consolidation through alliances

Old

2M
Expiration date: Jan 2025

Ocean 3
Expiration date: Sep 2016

G6
Expiration date: Mar 2017

CKYHE
Expiration date: Feb 2018

New

HMM joins 2M

MAERSK

Ocean Alliance
Starting date: April 2017

THE Alliance
Starting date: April 2017

Three alliances re-shaping into two

Major structural shift in the customer base of terminals. Impact from shift in power.

Source: Drewry Maritime Advisors
Alliances using several carrier terminals in 1 port

Alliances' estimated market shares (transpac)

- 2M: 14%
- THE Alliance: 19%
- Ocean Alliance: 42%
- Zim, Matson, (Hanjin), others: 26%

Terminals' estimated capacity shares in the port complex of LA/Long Beach

- Maersk: 10%
- MSC/Hanjin: 14%
- Hyundai: 6%
- K Line: 5%
- MOL: 11%
- NYK: 7%
- APL (CMA CGM): 9%
- Cosco CS/CMA CGM: 14%
- Cosco CS/YangMing: 6%
- Evergreen: 6%
- OOCL: 4%
- Common-user terminal 1: 3%
- Common-user terminal 2: 14%

No strategic alignment between carrier alliances and carrier terminal ownership; cost and operational inefficiencies/complexity of fragmentation. Need for mergers between terminals.

Source: Drewry Maritime Advisors
Can common-user terminals handle an entire mega-alliance’s volume?

**Different port operating models**

1. Port landlord with multiple common-user or dedicated privately-operated terminals
2. Port operator model with multiple port-operated common-user terminals
3. Port operator with 1 port-operated common-user terminal

**Example of port landlord with 6 common-user or dedicated terminals: PANY/NJ**

- APM Terminals Port Elizabeth
- Global Container Terminal - Bayonne
- Global Container Terminal - New York
- Maher Terminals
- Port Newark Container Terminal
- Red Hook Container Terminal

In ports using the landlord model, competing common-user terminals are generally unable to accommodate all the loops of an alliance.

Source: Drewry Maritime Advisors
Big ships & volume peaks/terminal congestion

10,000 moves per week
4 x medium-sized vessel calls

- 2,500 moves per call
- QC x 4
- 18 rows
- 38m high
- 1,100ft quay
- 46ft depth

10,000 moves per week
2 x bigger-ship vessel calls

- 5,000 moves per call
- QC x 6
- 22 rows
- 48m high
- 1,300ft quay
- 52ft depth

Who pays for the increased costs and investments?

Higher peak manning

Larger yard to handle peak loads

Source: Drewry Maritime Advisors

Who pays for the increased costs and investments?
Low profit returns shifting from carriers to terminals?

Change in the industry landscape for terminal operators: pressure on price from carriers, pressure on cost and on new investments due to big ships; questions on their strategies

Source: Drewry Financial Research Services
Panel discussion and questions

Philip Damas, Director – Head of Logistics Practice
damas@drewry.co.uk
www.drewry.co.uk

UK
15-17 Christopher Street
London
EC2A 2BS
United Kingdom
T +44 20 7538 0191

INDIA
209 Vipul Square
Sushant Lok - 1
Gurgaon 122002
India
T +91 124 497 4979

SINGAPORE
#13-02 Tower Fifteen
15 Hoe Chiang Road
Singapore 089316
T +65 6220 9890

CHINA
Office 555, 4th floor
Standard Chartered Tower
201 Shi Ji Avenue
Pudong District, Shanghai
China, 200120
T +86 (0) 21 6182 6759