

INDUSTRY GAME-CHANGERS: OCEAN CONTAINER CARRIERS

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THE LONG ISLAND IMPORT EXPORT ASSOCIATION

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Today's Top Supply Chain and Logistics News From WSJ

By Paul Page

“The decades-long rising wave of globalization that remade the world economy is receding. The recent rise of nationalist politicians and protectionist trade rhetoric is [the culmination of a broader push against global business since the financial crisis, the WSJ’s Bob Davis and Jon Hilsenrath write](#), that’s left global trade barely growing when compared with overall economic output, international capital flows pulling back and managers of multinational companies starting to dismantle the sprawling supply chains that they’ve built up over decades. The overall picture, from Brexit to Beijing, shows a trading world undergoing fundamental, long-term change—Maersk Chief Financial Officer Jakob Stausholm calls it “a deflationary mindset.” That’s left merchandise exports contracting and global supply chains no longer growing. China is helping drive the trend with its push to produce more goods for domestic consumption, and big industrial players are following. General Electric Corp. is among many looking at a “localization” strategy, which would result in more factories that serve local demand rather than the export markets that have fueled global shipping. “

March 30, 2017

TONIGHT'S TOPICS

- CONTAINER CARRIER MERGERS & ACQUISITIONS
- CONTAINER CARRIER ALLIANCES – BEFORE & AFTER APRIL 1, 2017
- CONTAINER CARRIER CAPACITIES
- CONTAINER CARRIER ORDER BOOKS
- CONTAINER CARRIER FINANCIALS
- US CONTAINER PORT LABOR

CARRIER MERGERS & ACQUISITIONS

No deal has closed since the Hanjin Shipping collapse.

2017 PENDING

- Maersk Line on Dec. 1, 2016 announced it will acquire Hamburg Süd and retain its brand. Maersk Line anticipates to close the deal (subject to regulatory approvals) by year-end 2017.
- “K” Line, MOL, and NYK Line agreed on Oct. 31, 2016 to establish a new joint-venture company to integrate the container shipping businesses (including worldwide terminal operating businesses excluding Japan) of all three companies subject to regulatory approvals. The establishment of the new joint-venture company is planned for July 1st, 2017, with the planned business start date of April 1st, 2018.
- Hapag-Lloyd and United Arab Shipping Co. sign a business combination agreement with support of their stockholders on July 18. Regulatory approvals were granted, however various contractual and financial agreements are still required prior to the merger closing - previously anticipated by year-end 2016.

2016 CLOSED

- CMA CGM Group acquires majority share of Neptune Orient Lines, (NOL) and its principal operating brand APL on June 9, and closes its voluntary general offer to remaining NOL stockholders on July 18. NOL became a wholly-owned subsidiary of CMA CGM Group following the completion of a compulsory acquisition process with the then-remaining NOL stockholders from July 19 forward that was concluded on Sept. 5.
- King Ocean acquires the services of Interocean Lines and Trinity Shipping Line on May 1.
- Cosco and China Shipping officially restructure and merge effective Feb. 18, and later rebrand as China Shipping.

<http://www.joc.com/maritime-news/container-lines/container-carrier-mergers-acquisitions.html>

Mergers & acquisitions take toll on alliances

From April 1, 2017 forward there are three carrier alliances:

2M Alliance

Maersk Line (pending deal to acquire Hamburg Sud).
Mediterranean Shipping Company

A strategic cooperation agreement with Hyundai Merchant Marine.

Ocean Alliance

CMA CGM/APL
COSCO Shipping Lines (COSCO and China Shipping merger).
Evergreen Line
OOCL

THE Alliance

Hapag-Lloyd (in advance UASC VSA pending deal to combine with UASC).
"K" Line (pending deal to merge with MOL and NYK Line).

MOL (pending deal to merge with "K" Line and NYK Line).
NYK Line (pending deal to merge with "K" Line and MOL).
Yang Ming Line

Prior to April 1, 2017 there were four carrier alliances:

2M Alliance

Maersk Line (pending deal to acquire Hamburg Sud).
Mediterranean Shipping Company

A strategic cooperation agreement with Hyundai Merchant Marine.

Ocean 3 Alliance

China Shipping (merged with COSCO in October 2016).
CMA CGM
UASC

CKYHE Alliance

COSCO (merged with China Shipping in October 2016).
Evergreen Line
Hanjin Shipping (August 2016 receivership).

"K" Line (pending deal to merge with MOL and NYK Line).
Yang Ming Line

G6 Alliance

APL (acquired by CMA CGM Group in September 2016).
Hapag-Lloyd (pending deal to acquire UASC).
Hyundai Merchant Marine

MOL (pending deal to merge "K" Line and NYK Line).

NYK Line (pending deal to merge with "K" Line and MOL).
OOCL

Source: www.FMC.gov

CONTAINER CARRIER CAPACITIES

Rank	Operator	% Fleet	TEUs	Ships
1	Maersk Group	15.8%	3,273,940	627
2	MSC	14.4%	2,990,120	499
3	CMA CGM Group/APL	10.4%	2,151,967	440
4	COSCO Shipping	8.1%	1,683,673	304
5	Evergreen Line	4.8%	1,000,991	189
6	Hapag-Lloyd/CSAV	4.8%	990,158	172
7	OOCL	2.8%	573,052	94
8	Yang Ming Line	2.8%	570,003	99
9	Hamburg Süd Group/CCNI	2.7%	560,130	107
10	MOL	2.6%	528,550	82

Rank	Operator	% Fleet	TEUs	Ships
11	NYK Line	2.5%	515,215	97
12	UASC	2.5%	510,878	53
13	Hyundai Merchant Marine	2.3%	478,733	70
14	"K" Line	1.8%	375,020	64
15	PIL (Pacific Int. Line)	1.7%	360,095	139
16	Zim	1.4%	300,060	67
17	Wan Hai Lines	1.1%	226,933	88
18	X-Press Feeders Group	0.7%	143,924	86
19	KMTC	0.6%	118,765	58
20	SITC	0.5%	98,950	58

Global fleet = 20,703,370 TEUs as of March 30, 2017. www.alphaliner.com

WORLD'S LARGEST CONTAINER SHIP



- TOKYO-Mitsui O.S.K. Lines, Ltd. (MOL; President & CEO: Junichiro Ikeda) announced that the world's largest containership, *MOL Triumph* was delivered from Samsung Heavy Industries Co., Ltd. (SHI; President and CEO Dae-young Park) on March 27, 2017.
- MOL's newest vessel, the first of a fleet of six 20,000 TEU-class containerships for the company, was named *MOL Triumph* in a ceremony at SHI in South Korea on March 15, 2017. At 400 meters in length and 58.8 meters in width, *MOL Triumph* is currently the world's largest containership. With a capacity of 20,170 TEU, the vessel is the first 20,000 TEU-class containership deployed in THE Alliance's Asia to Europe trade via the FE2 service. Source: MOL

CONTAINER CARRIER ORDERBOOKS

Orderbook				
Operator	TEU	Ships	% existing	AVG TEU
COSCO Shipping	542,704	33	32.2%	16,446
Maersk Group	386,448	27	11.8%	14,313
Evergreen Line	310,000	35	31.0%	8,857
CMA CGM Group/APL	233,980	23	10.9%	10,173
MSC	198,274	18	6.6%	11,015
NYK Line	154,156	11	29.9%	14,014
PIL (Pacific Int. Line)	144,180	14	40.0%	10,299
OOCL	126,600	6	22.1%	21,100
MOL	100,810	5	19.1%	20,162
Yang Ming Line	98,396	7	17.3%	14,057

Orderbook				
Operator	TEU	Ships	% existing	AVG TEU
"K" Line	69,350	5	18.5%	13,870
Hamburg Süd Group/CCNI	30,640	8	5.5%	3,830
UASC	29,986	2	5.9%	14,993
Wan Hai Lines	15,200	8	6.7%	1,900
Hapag-Lloyd/CSAV	10,589	1	1.1%	10,589
KMTC	3,570	2	3.0%	1,785
Hyundai		0		
SITC		0		
X-Press Feeders Group		0		
Zim		0		

As of March 30, 2017, www.alphaliner.com

CONTAINER CARRIER FINANCIALS

AFTER THE HANJIN COLLAPSE

Mindful of the industry angst and heavy toll surrounding the Hanjin Shipping collapse, THE Alliance is the first alliance to address similar situations in their FMC agreement 012439. FMC Commissioner William P. Doyle describes and summarizes section 7.4, page 11 as “...framework, placeholder language to set-up safeguards that could be used when an individual member liner fails in the network, (i.e., a carrier goes bankrupt), that would allow the remaining (i.e., non-bankrupt) parties to:

- Make arrangements directly with entities providing vessels/space to the Affected Party that are used by the Alliance,
- Make arrangements directly with agents or subcontractors of the Affected Party,
- Take other actions to facilitate the movement or cargo carried by the Affected Party to the intended port of discharge or other locations,
- Discuss and agree on other measures that are necessary to maintain continuity of operations and facilitate the orderly movement of cargo.”
- Commissioner Doyle also suggests “in theory, a funding instrument could be created. The funds from the instrument could be used to pay operational expenses to bring ships into port and unload containers to ensure that cargo is not stranded on the water.”

Source: www.FMC.gov

LABOR: ILA – US EAST & GULF COASTS

Contract expires September 30, 2018

Joseph Bonney, JOC:

“In 2014 ILA President Harold J. Daggett accepted USMX invitation to open early talks on a new or extended contract. Initially, the possibility was discussed on a contract extending as far as 2025.”

“ILA contracts traditionally are negotiated in two levels: master contract and local contracts. The ILA-USMX master contracts covers wages, the medical plan, carrier-paid container royalties and other coast-wide issues. Local contracts cover work rules, pensions, and other port-specific issues. Local negotiations have extended months, even years after coastal contract ratification.”

* Coastal Issues:

Chassis M & R, Jurisdiction, Automation, Medical Plan funding. New: address underfunded local pension plans.

NY-NJ Issues:

Outstanding 2013 issues, Relief/second-shift gangs vs. same gang working through ship completion, more....

January 29, 2016

Surprise 1 day unsanctioned strike at Port of NY & NJ. (No-strike clause.)

February 2017

ILA call for one day shutdown and march on Washington – issues include Waterfront Commission at NY-NJ, South Atlantic state employee utility.

ILA President Daggett said the ILA leadership will seek “emergency meetings” with members of Congress to address ILA concerns and rejects work stoppages.

LABOR: ILWU - US WEST COAST

Bill Mongelluzzo, JOC:

“The International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA) are continuing to discuss the possibility of extending the existing West Coast contract beyond its scheduled termination date of **July 1, 2019**, with the next move expected to come during the annual ILWU caucus in April.

The next step in the process is for ILWU leaders to submit what has been discussed so far to the annual longshore division caucus April 24 to 28 in San Francisco. If the caucus votes to move forward with developing a contract extension, the details would probably be finalized by mid- to late summer, PMA President McKenna said.

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Q & A



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