

# Foresight and future-proofing: how to attract the world's biggest shipping line

Leading container line Maersk Line gives a perspective on the port industry, and an insight into their terminal selection process

**Maersk Line**, Copenhagen, Denmark, speaks with *Port Technology International*

Maersk Line is the liner shipping arm of the A.P. Moller – Maersk Group, and is the world's leading shipping company. The Maersk Line fleet comprises of 500 vessels while the total container fleet totals over 3,200,000 TEU.

Maersk Line is, of course, a customer that any ambitious Port Authority or terminal operator would love to have calling at their facility – so who better to tell us about the key factors that influence their terminal selection process than the Line itself?

*Port Technology International* recently had the opportunity to sit down with Tommy Nilsson, head of Maersk Line's Global Terminal Strategy, to discuss the current state of the shipping and port industries, and how ports can offer the best possible service to shipping lines.

**Q** *Can you provide our readers with a bit of background information on Maersk Line's business model and strategy?*

**A** Maersk Line has a vision of creating value for our customers through providing an end-to-end product that is unmatched in reliability, and at a competitive cost.

The ability to deliver this to our customers is what drives our requirement setting towards terminals, i.e.:

- Ensuring the most competitive cost proposition in the market
- Strong focus on reliability and performance levels
- Sustainability (i.e. an environmental focus).

**Q** *When deciding on new shipping routes, what are the factors that shipping lines consider when deciding which ports to call at, particularly when there are several options?*

**A** There are two levels of decisions to be made by carriers:

## 1. Choice on port level:

Adding a port call to a rotation needs to serve the requirements of our customers and make economic sense for a shipping line.

It is a commercial decision based on a combination of factors such as size and growth outlook of cargo volumes; the network cost of servicing a port, and available inland/feeder connectivity. Furthermore, the availability of warehouses, as well as the customs regime, plays an increasingly important role in the attractiveness of ports.

## 2. Choice on terminal level:

In ports where there are several terminals, the decision gets a more operational nature. Maersk Line is looking for the best overall value proposition including factors such as:

- Terminal efficiency (productivity, reliability of operation, etc.)
- Nautical accessibility
- Competitiveness of cost levels
- Environmental and safety record
- Innovations.





**Q** *What would be on your 'wish list' of services offered by ports? And what services or factors make a port attractive to a shipping line?*

**A** The wish list for ports depends on our requirements. Apart from obvious items such as locations and nautical accessibility, the following service offerings are what generally attract Maersk Line:

- Differentiated product, i.e. superior performance in terms of productivity.
- The supply chain approach – such as ensuring smooth connections for feeder or barge operators, as well as road and rail links into the hinterland.
- Unmatched reliability – joint efficiency drives to eliminate inefficiencies from the processes.
- Flexibility – i.e. ability to adapt to changing Line requirements on the basis of available capacity and berthing windows.

**Q** *What is the order of importance or priority of the following port factors: security and safety standards, environmental regulations, intermodal connections, handling equipment, and so on?*

**A** The handling equipment of a terminal needs to fulfil the standards to deliver a reliable operation at high productivity, without constraints related to our vessels deployed.

In a transshipment-heavy terminal, land-side connections may be of a lower priority while this obviously is critical for a gateway terminal.

Maersk Line has very high standards when it comes to sustainability and items such as security, safety and environmental standards are a very fundamental requirement for a terminal to do business with Maersk Line.

**Q** *In what areas can ports improve in order to provide better service? Are there any reoccurring inefficiencies that you routinely come across that you would like to see improved?*

**A** Overall, Maersk Line sees a lot of opportunities for the terminal industry to improve productivity levels, particularly based on the increasing call-sizes. Typically we have seen cost levels going up, while service levels have remained stable. Improved service levels should be facilitated by innovation and supply chain cooperation.

Furthermore, Maersk Line believes that ports should encourage more competition on port services such as terminal handling and towage, to make sure cost levels stay competitive.

**Q** *What other factors would make a shipping line change routes?*

**A** Shipping lines serve the demand of shippers, and global cargo flow patterns are dynamic. The growth of cargo flows trigger adjustments to vessel sizes, changing the economics of serving certain markets. Additionally, shipping lines need to manage their network on the basis of available terminal capacity, ability to accommodate vessels, and so on.

**Q** *How important is it to Maersk Line for ports and terminals to be equipped with the latest state-of-the-art equipment?*

**A** Naturally, it is a basic requirement for terminals to have sufficient cranes of the required specifications to serve the vessels deployed. It is a major inefficiency for a shipping line to have inadequate cranes, and this often is a disqualifier. Maersk Line does not set specific requirements for terminal equipments, but expects



the terminal operator to deliver on the Service Level Agreement in terms of performance, available capacity and reliability.

**Q** *Do you feel that initiatives such as reduced port fees for green vessels will encourage shipping lines to become greener? Do you view ports' environmental sustainability as necessary for the future survival of the industry?*

**A** Sustainability is a cornerstone of Maersk Line's strategy and we have the ambition to be frontrunners in the shipping industry on improving our environmental performance.

From a supply chain perspective, improving the ports and terminals' sustainability performance is a must. It also makes sense business-wise because it will be a prerequisite for being able to compete going forward.

It is critical that ports align and agree on how to measure at least the basic parameters in their environmental performance, for example, CO<sub>2</sub> emissions; so that the shipping lines, being their customers, have transparency on who is performing well and who is not, and so that ultimately the shippers and consignees know the environmental footprint of the product they are buying.

#### ABOUT THE COMPANY

In addition to its fleet of over 500 vessels, managing a fleet of 3.2 million TEUs worldwide, **Maersk Line** has around 16,900 employees, and employs around 7,600 seafarers. The Line is represented in 325 offices around the world, in over 125 countries.

ML will continue to put environment on the agenda in our discussions with ports and terminals, and we encourage initiatives such as adjusted tariffs for green shipping lines.

**Q** *Looking to the future, in what direction do you see shipping lines heading in terms of size, service demands, and so on – and what impact will this have on ports?*

**A** For the foreseeable future, shipping will continue to be the main mode of international transportation of goods, and it is our expectation that the shipping industry will continue to see a scale increase. Ports and terminals will need to increase efficiency considerably in order to satisfy lines' demand for growth and shippers' demands for efficiency in their supply chain.

**Q** *Do you envision a drastic change in the way shipping lines and ports will be operated in the future as the economy changes, global trade fluctuates, environmental factors become more important and security implications become more critical?*

**A** Environmental sustainability will become an increasingly important factor in most business decisions. Efficiency has to increase throughout the supply chain in order to keep up with increasing vessel sizes.

The shipping industry is cyclical in nature, and supply chain partners (including shippers, lines and terminals) need to increase cooperation in order to plan for the future and avoid costly bottlenecks.

**Q** *When building bigger ships, do you take into account the facilities that are already available on your routes, or do you have an expectation that ports will expand in order to accommodate to keep or win your business?*

**A** There certainly is a level of coordination, but we expect terminals to be proactive in terms of development capabilities and keep up with trade developments. Those terminals that have foresight and develop future-proof facilities will have the most compelling value proposition to shipping lines.

In certain markets, shipping lines are forced to deploy purpose-built vessels to cater for constraints a.o. related to draft. We expect terminals to drive the dialogue with Port Authorities to ensure bottlenecks are resolved.

**Q** *Overall, what is the single most import factor in the port-shipper relationship?*

**A** There is no one key to success, since that varies with location; but the common denominator is that we take a partnership approach and maintain constant dialogue on opportunities. Transparency on mutual expectations, being on required commercial terms, performance or volume growth is critical to success.

Lastly, it is important to understand each other's business model and establish a strategic fit for long-term cooperation.

#### ENQUIRIES

For questions please contact Tommy Nilsson

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