



CONTINUED EVOLUTION

SHIPPING LINES SHIFTING FROM WATER TO LAND



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Originally, shipping lines provided shipping services; trucking companies provided landside transportation; terminal and warehouse operators provided transfer between modes. Throughout, terminals operators have stayed quayside and trucking and warehousing companies have stayed on land. Metaphorically, and traditionally, both have kept their feet dry.

In contrast, the shipping lines have moved from water to land. Many have their own associated logistics activities, for example CMA GGM acquired CEVA Logistics in 2019, MedLog is the logistics arm of Mediterranean Shipping Company (MSC) and Maersk has its Damco logistics arm. With respect to ports and terminals, carrier groups have also evolved considerable affiliated interests through a combination of organic and acquisitive means. The prime examples come from the four largest container shipping groups as shown in table one.

At individual terminal levels these (affiliated) interests range from minor stakes of around 10% all the way up to outright ownership and cover all continents and

coastlines where involvement from the private sector is common. Whilst the precise relationships between the carrier and terminal elements may differ, for example CMA CGM and MSC are the effective group leads whereas Maersk and Cosco Shipping Lines are technically part of the groups, both carrier and terminal sides have a clear interest in helping each other's efficacy.

GROWTH IMPACTS

The impacts of carrier affiliation upon a port, both positive and negative, can be seen through various examples. Cosco Pacific, one of the predecessors of the current China Shipping Ports (CS Ports), took on the concession for Piers 2 and 3 at the Port of Piraeus, Athens, Greece in late 2009 and then management of the whole port in 2016. The Port's handlings have grown from 431,000 TEU in 2008 to 5.65 million TEU in 2019. It is now the largest in the Mediterranean and in the top five of Europe as a whole.

Whilst Piraeus welcomes patronage from many carriers, it is surely no coincidence that its growth is related to the arrival of

Cosco Pacific/CS Ports. In fact, post-2016 growth coincides with an affiliated carrier consolidation event. This saw the transfer of China Shipping's container liner activities to Cosco, thereby forming the much larger Cosco Shipping Lines. The result: from 2016 to 2019 Piraeus' throughput has expanded by 65% (see table two), a compound annual rate of more than 15%.

At the other end of the scale is Taranto on the "heel" of Italy. In the early 2000s, Evergreen developed Taranto Container Terminal to be its favoured Mediterranean hub and the facility enjoyed significant patronage from the carrier as a result. Intercontinental terminal operator Hutchison was sufficiently confident in the terminal to take a stake in it in 2008.

There was, though, an inherent weakness in Taranto's position as it was almost exclusively visited by Evergreen. When Evergreen started to move mainline and feeder services to Piraeus, Taranto's foundations were shown to be placed on sand. The port handled 604,000 TEU in 2011, the year Evergreen started to switch, but this fell dramatically to 270,000 TEU

Table one: Carriers and their affiliated terminal operating groups

Group	Carrier (fleet summary)	Terminal Operations (portfolio summary)
Maersk	Maersk (690 vessels, 4.1 million TEU)	APM Terminals (approaching 80 terminals)
Mediterranean Shipping Company (MSC)	MSC (575 vessels, 3.8 million TEU)	Terminal Investment Limited (close to 40 terminals), plus other affiliated interests
China Cosco Shipping	Cosco Shipping Lines (470 ships, 2.9 million TEU)	Cosco Shipping Ports (approaching 40 terminals, combination of Cosco Pacific and China Shipping Ports)
CMA CGM	CMA CGM (490 ships, 2.6 million TEU)	Terminal Link (13 terminals), CMA Terminals (32 terminals, including those acquired from APL Terminals)

Table two: Development of Piraeus container handlings

Year	2019	2018	2017	2016	2015	2014
TEU	5,650,000	4,908,000	4,144,300	3,674,700	3,327,800	3,585,200

the following year and continued dropping until, in 2015, it handled no containers at all. In 2019, independent operator Yilport took on the concession for the moribund terminal area, an ambitious move, especially if container patronage was not already lined up.

PATRONAGE

Quite clearly, carrier patronage is a double-edged sword. MSC and its affiliated Terminal Investment Limited’s involvement Lomé Container Terminal has resulted in not only a revision of how West Africa is served, it has catapulted that port to becoming the coastline’s major hub. If MSC were to decide upon an alternative port – however unlikely that may be – given the volumes that MSC can bring, it would be very difficult for Lomé to find like-for-like replacement.

Whilst the principle extends for any ports where carriers have a terminal interest, transshipment and relay hubs, like Lomé and Taranto, are more vulnerable than ports with a substantial gateway function like Antwerp and Valencia. Whilst MSC is the most visible presence at these gateways, and has affiliated terminal interests in the ports, the ports have more solid foundations from their own substantial landward hinterlands.

CONTINUED INTEREST

It is not just those carriers already mentioned who are active in the terminals sector. Amongst other carriers, Hyundai Merchant Marine (HMM) has interests in eight facilities globally, including in Algeciras (Total Terminal International) and Rotterdam (Rotterdam World Gateway). Hapag-Lloyd, somewhat behind the terminal curve, agreed late in 2019 to acquire a 10% stake in Marsa International Tangier Terminals, a terminal development that should be commissioned later this year. Before this, its sole terminal involvement was a 25% stake Container Terminal

Altenwerder in Bremerhaven.

The results are, ultimately, that a carrier (group) can bring significant if not substantial influence upon the activity and therefore prosperity levels of a particular terminal and, therefore, port. It is a situation that is only likely to increase with every round of carrier consolidation that takes place.

That does not mean to say there is no place for the independent terminal operator. It could well be that in a choice between an independent facility or a terminal affiliated with a competitor, a carrier could plump for the independent.

STAYING INDEPENDENT

Another way that independent operators are working with this evolution of carrier interests, is to enter into joint venture arrangements. For example, Marsa International Tangier Terminals has Eurogate and local Marsa Maroc, both port/terminal operators, as the other shareholders. Usually the carrier holds a minor share leaving the specialist operator to run the facility although the influence of the carrier is still visible (and the carrier may well have some volume obligations as part of the agreement).

In contrast, terminal operators have been noticeably absent from moving in the opposite direction, from the quay to the sea. That was, though, until DP World acquired Europe and Mediterranean feeder operator Unifeeder in 2018. The following year, it took direct ownership of P&O Ferries and P&O Ferrymaster from its own parent company, (North Europe trades), and at the end of 2019 took a controlling stake in Singapore-based Feedertech (Asia-Indian Subcontinent range).

Whilst DP World’s acquisitions are limited to feeder and regional carriers, if consolidated under one banner, then this terminal operator would have a group shipping line of around 75 ships able to

carry 130,000 TEU making it one of the largest carriers in the world. Although the reasoning behind its strategy is somewhat opaque – for example, as feeder traffic follows the mainline cargo flows of the major carriers, how will DP World’s move into shipping result in increased utilisation for its facilities? – at a wider level, maybe it is the start of a counter-evolution by the terminals sector.

ABOUT THE AUTHOR

With a background in transport and logistics, in 2003, Darron joined Dynamar as an analyst in the Research & Analysis Department. He is now one of the company’s container shipping consultants and publications authors. His output includes the highly regarded DynaLiners Annual Trades Review and various trade lane studies. He has been a member of the UK’s Institute of Logistics and Transport for nearly thirty years.

ABOUT THE ORGANIZATION

Based in Alkmaar, the Netherlands, Dynamar was established in 1981. With a database of 20,000 companies, it is a leading provider of shipping company reports with a focus on counterparty reliability. It is also a major provider of analytical container shipping news and commentary through its DynaLiners portfolio, and a prominent liner shipping and related port/terminal consultant.

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