CONTINUED EVOLUTION

SHIPPING LINES SHIFTING FROM WATER TO LAND

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 CGM acquired CEVA Logistics in 2019, MedLog is the logistics arm of Mediterranean Shipping Company (MSC) and 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.
was a 25% stake Container Terminal

Before this, its sole terminal involvement

acquire a 10% stake in Marsa International

terminal curve, agreed late in 2019 to

Rotterdam (Rotterdam World Gateway).

Algeciras (Total Terminal International) and

in eight facilities globally, including in

Merchant Marine (HMM) has interests

sector. Amongst other carriers, Hyundai

It is not just those carriers already

CONTINUED INTEREST

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,

transhipment 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.

ENQUIRIES

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Table one: Carriers and their affiliated terminal operating groups

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

Table two: Development of Piraeus container handlings

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</thead>
<tbody>
<tr>
<td>TEU</td>
<td>5,650,000</td>
<td>4,908,000</td>
<td>4,144,300</td>
<td>3,674,700</td>
<td>3,327,800</td>
<td>3,585,200</td>
</tr>
</tbody>
</table>

GLOBAL ISSUES