International Transport Forum

The main global challenges for the container ports system

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OECD

Main global challenge: container shipping

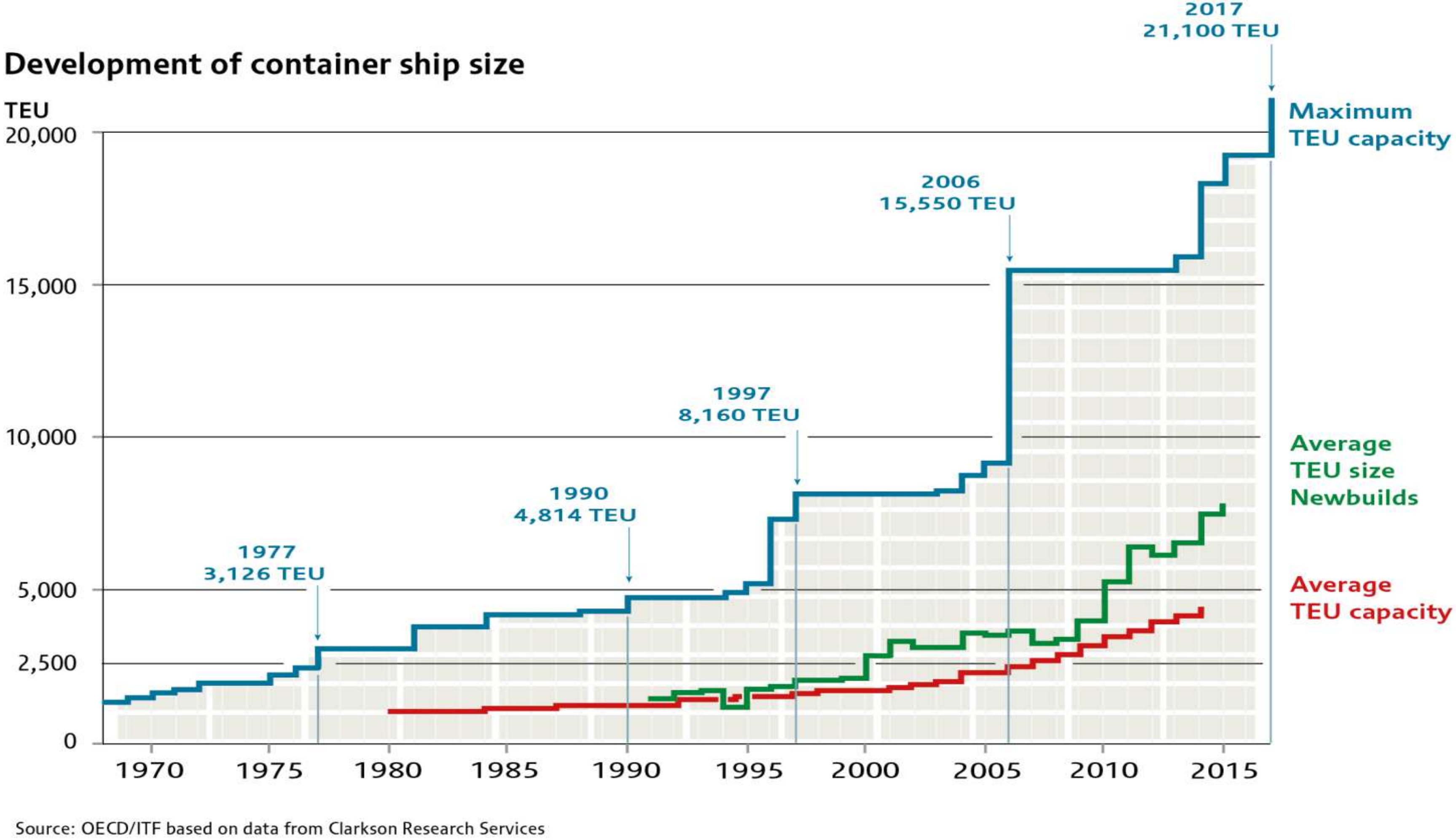
A “success story” made possible by:

1. Bigger ships
2. Industry concentration
3. Vertical integration

Is this model sustainable in the future?

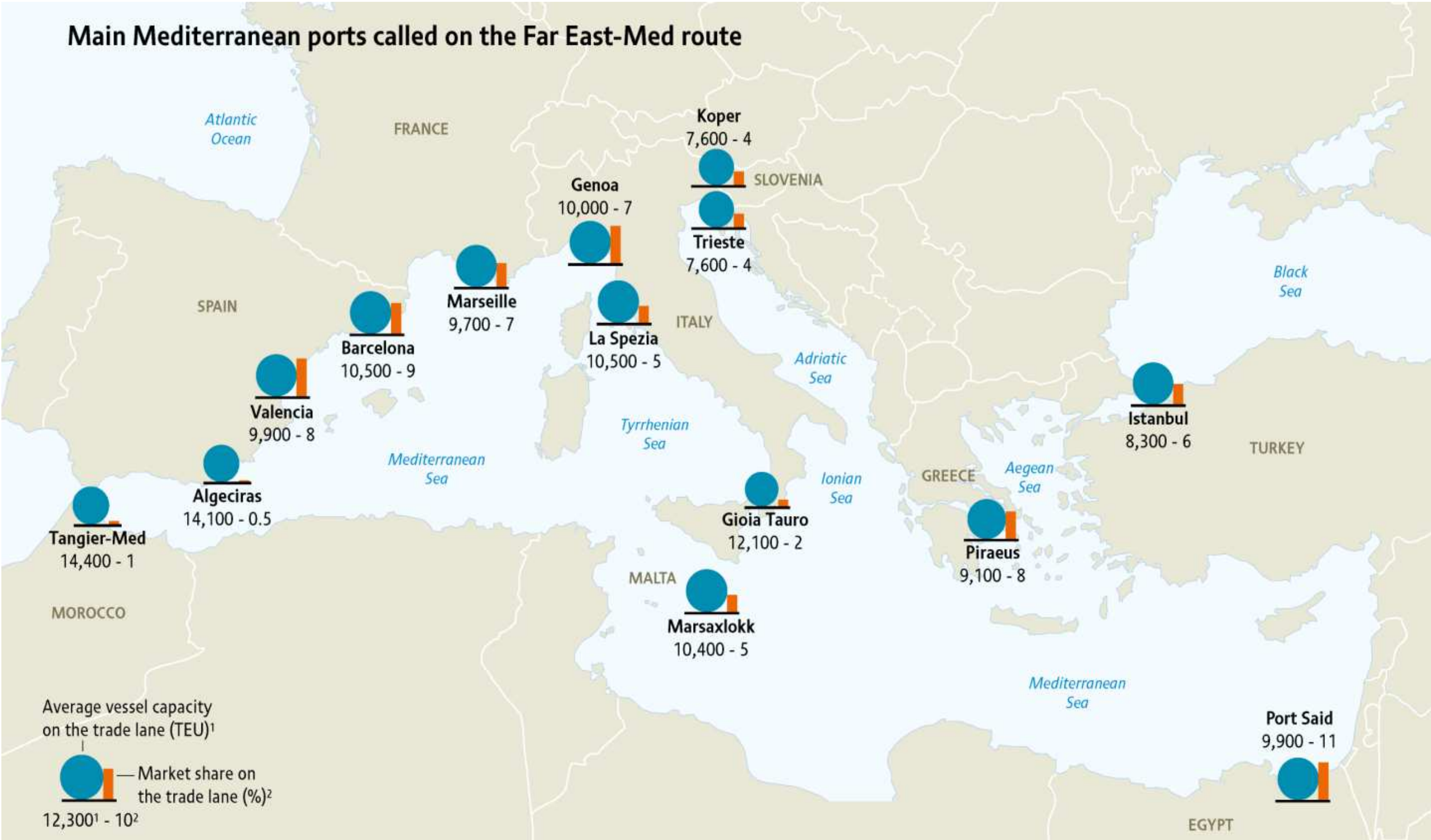
If not, what can policy-makers do about it?

1. Bigger ships



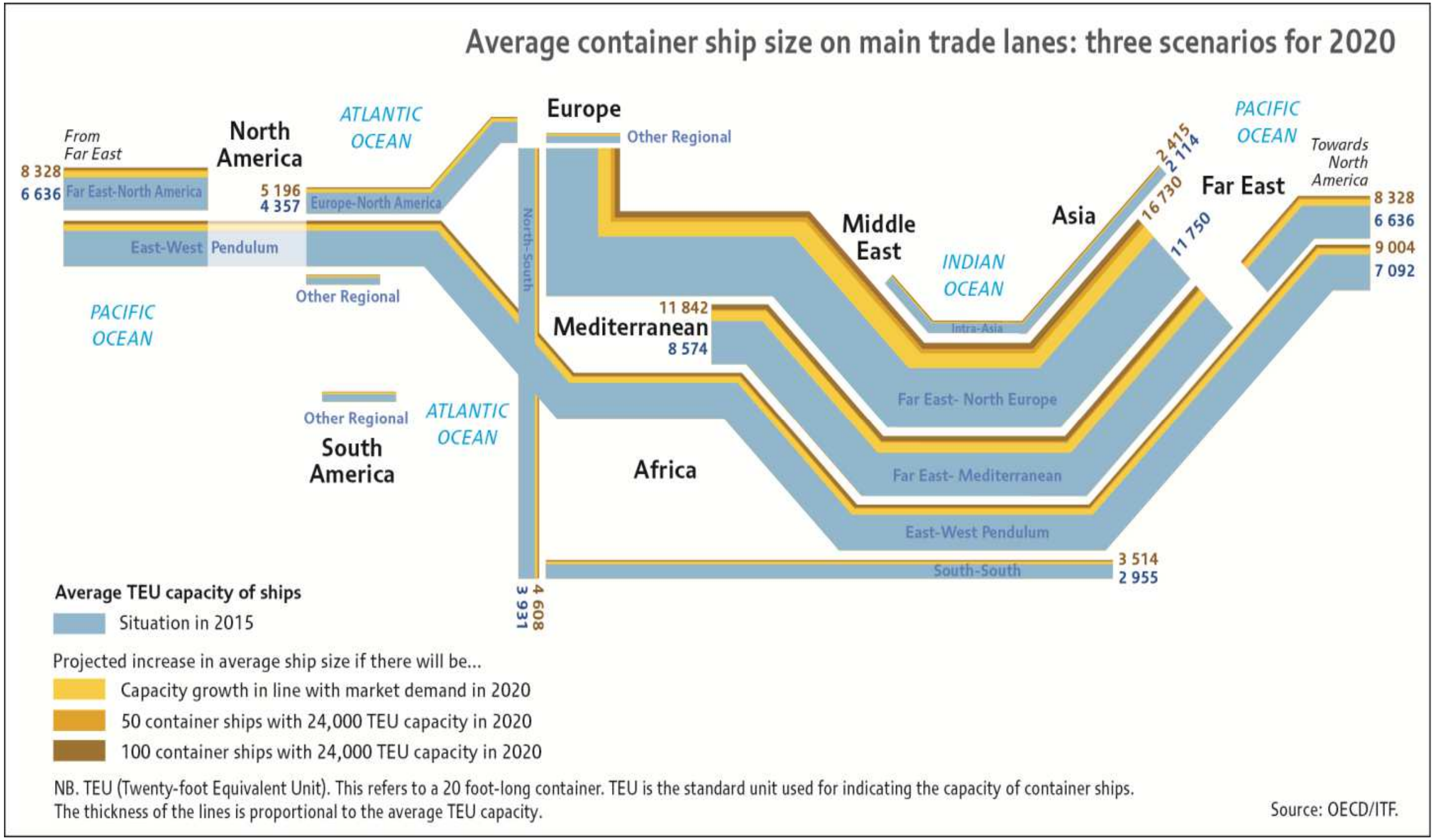
Source: ITF/OECD (2015), “The Impact of Mega-Ships”

1. Average container ship size in the Med



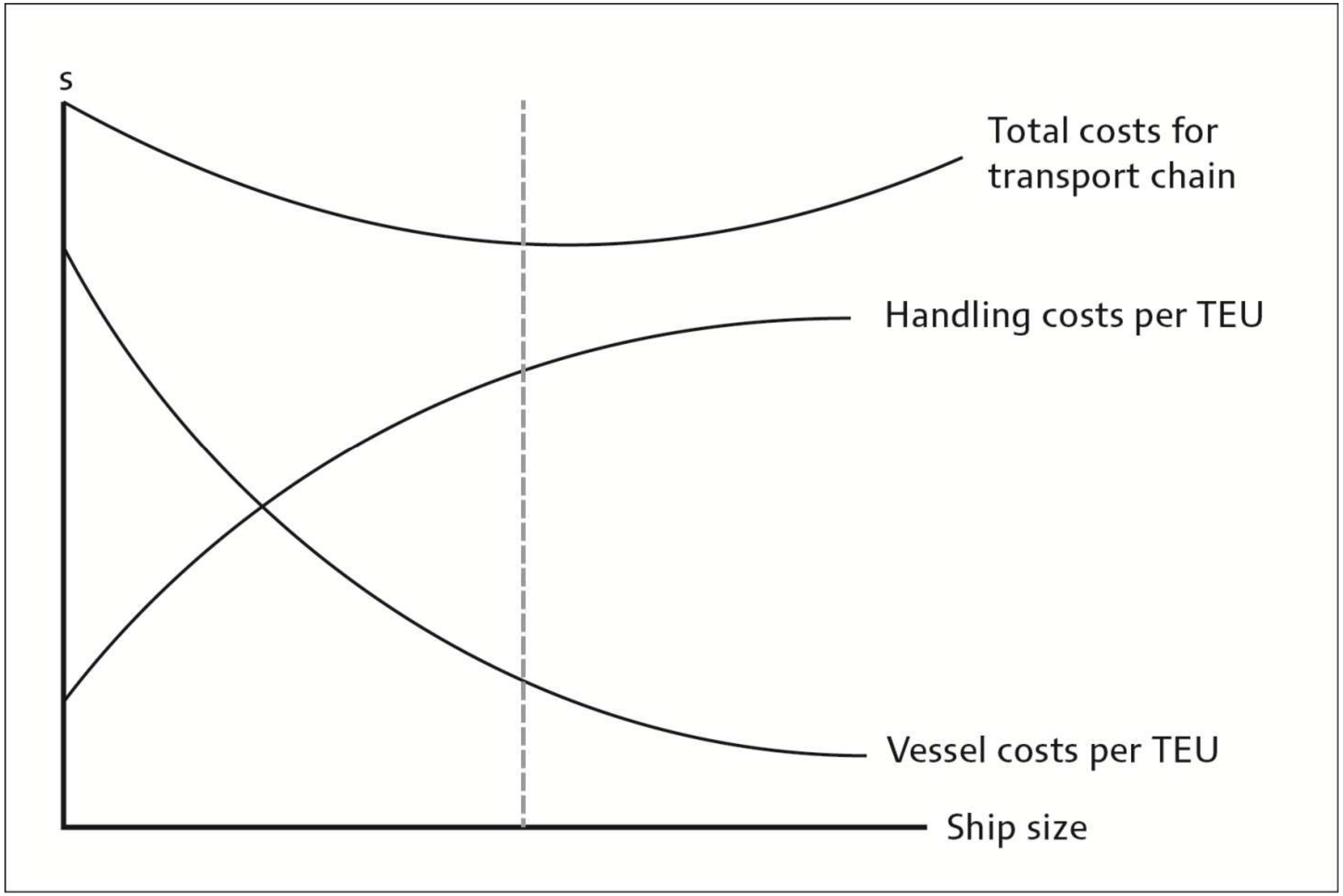
Source: ITF/OECD (2015), “The Impact of Mega-Ships”

1. Ship size projections for 2020



Source: ITF/OECD (2015), "The Impact of Mega-Ships"

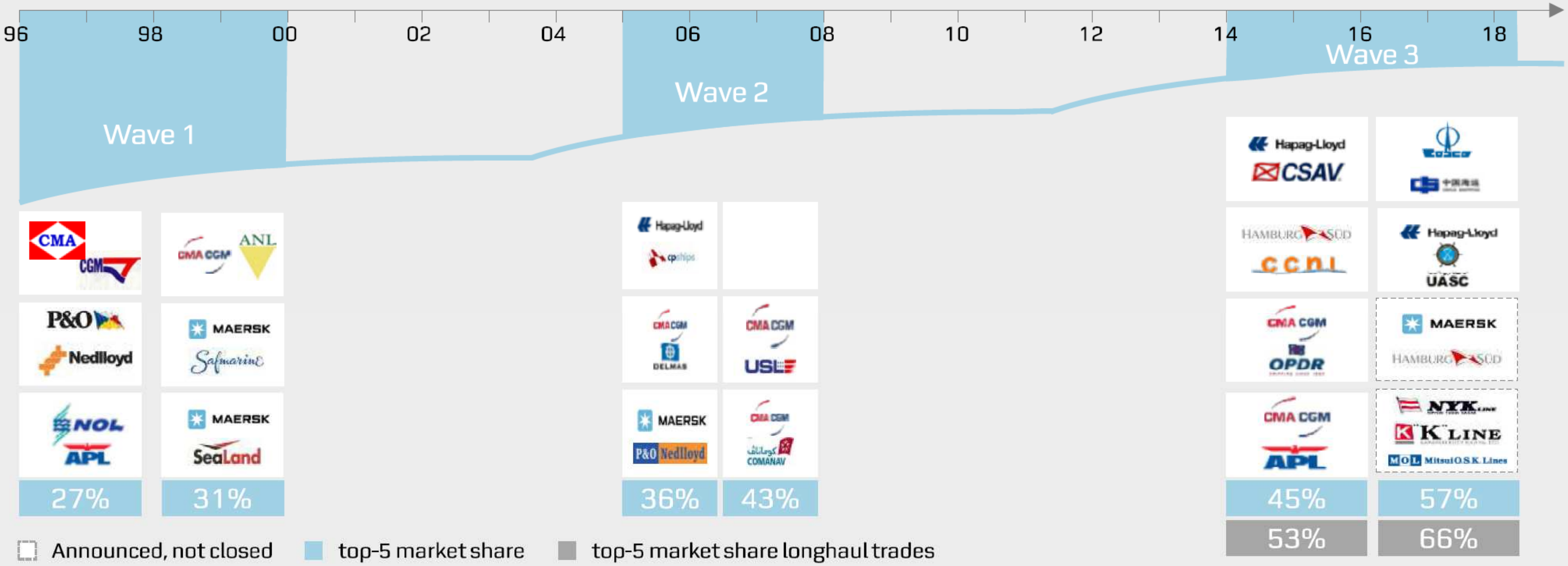
1. The big ship conundrum



Source: ITF/OECD (2015), “The Impact of Mega-Ships”

2. Horizontal integration: mergers

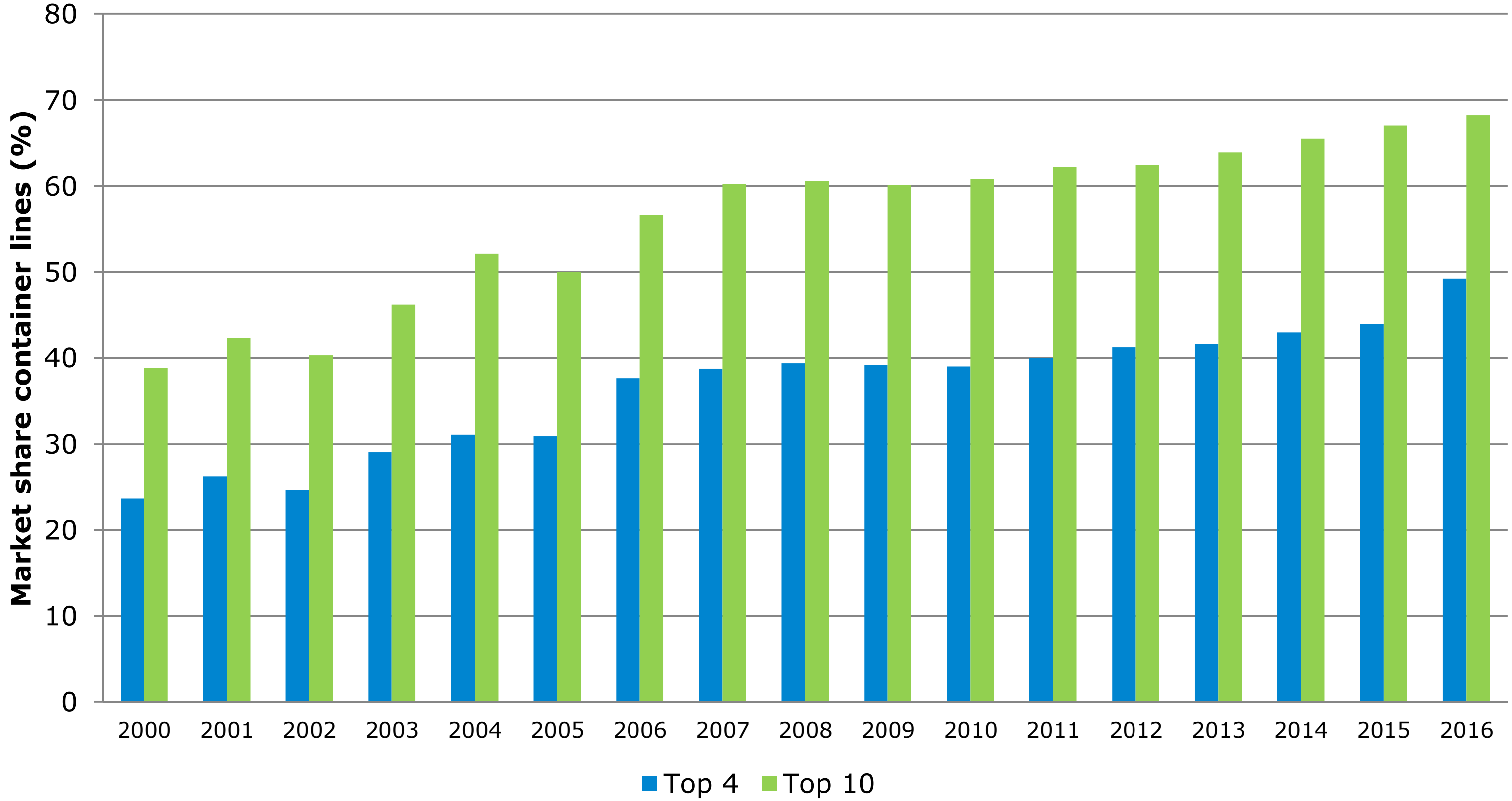
Consolidation wave is rolling again – 8 top 20 players disappeared in last 2 years



Disclaimer: The proposed acquisition of Hamburg Süd is subject to regulatory approvals and due diligenceNote: Long haul trades defined as non-intra-regional trades.
Source: Alphaline

2. Horizontal integration: concentration

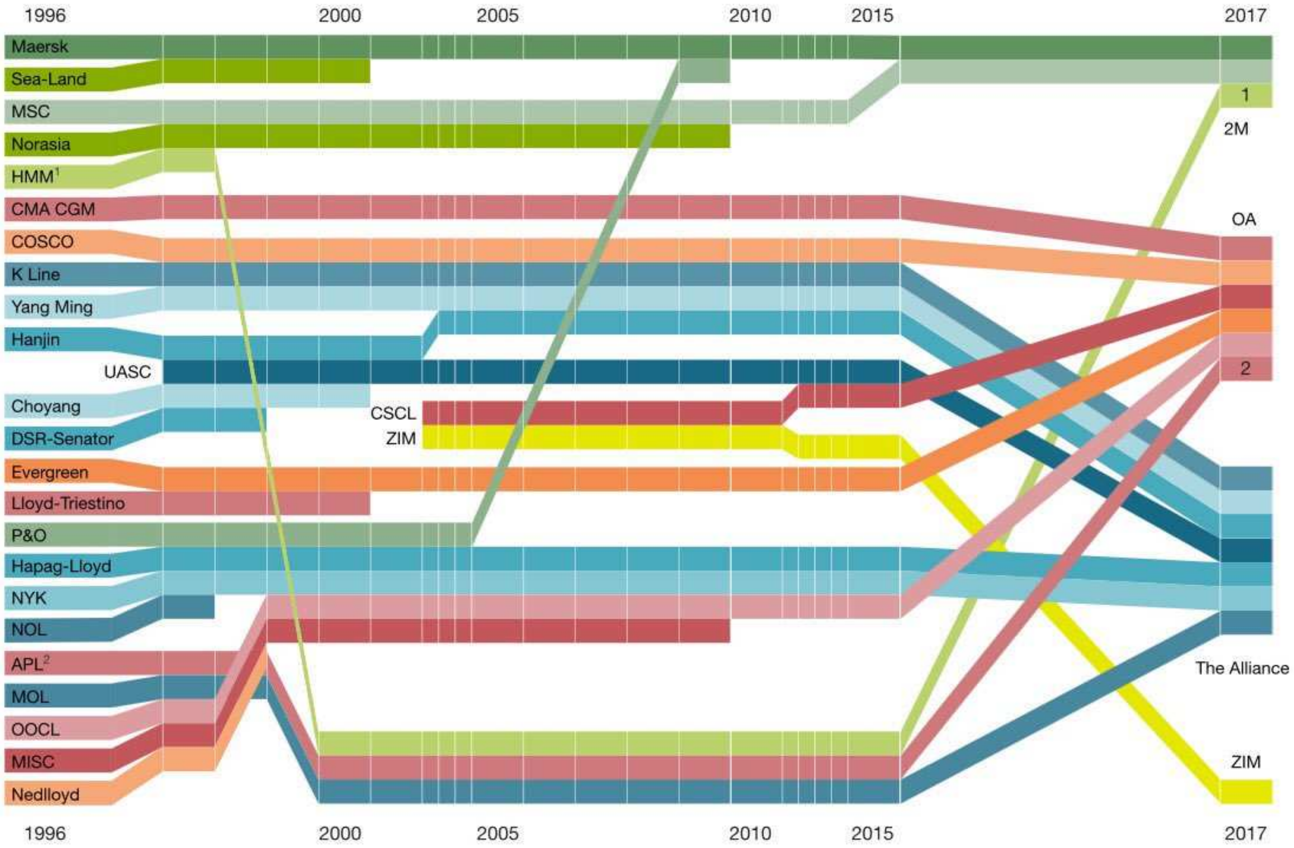
The top 4 carriers had 23% market share in 2000, almost 50% in 2016



Source: ITF/OECD elaborations based on data from Alphaliner

2. Horizontal integration: alliances

Alliance shuffles are nothing new, but the most recent consolidation is the industry's largest.



[1]HMM not yet confirmed.
[2]APL to merge with CMA CGM.

McKinsey&Company | Source: Alphaliner

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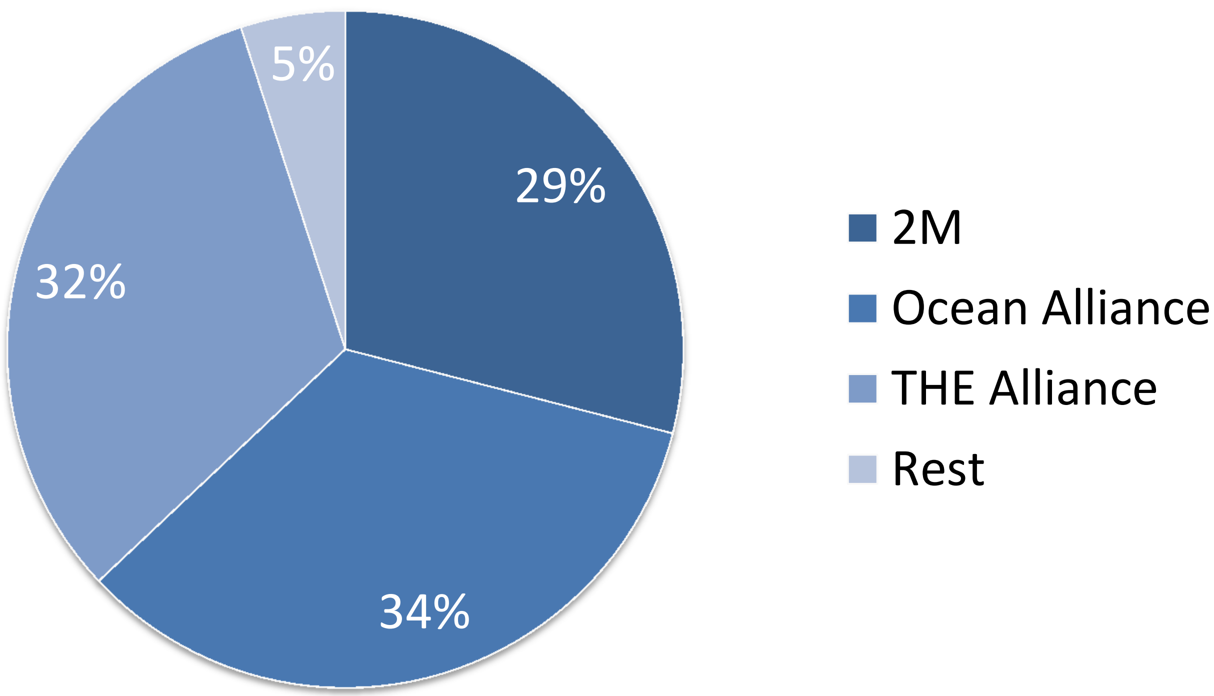
2. Horizontal integration: alliances

2. Horizontal integration: oligopoly

Alliance market shares of East-West Container Capacity



Source: Drewry Advisory

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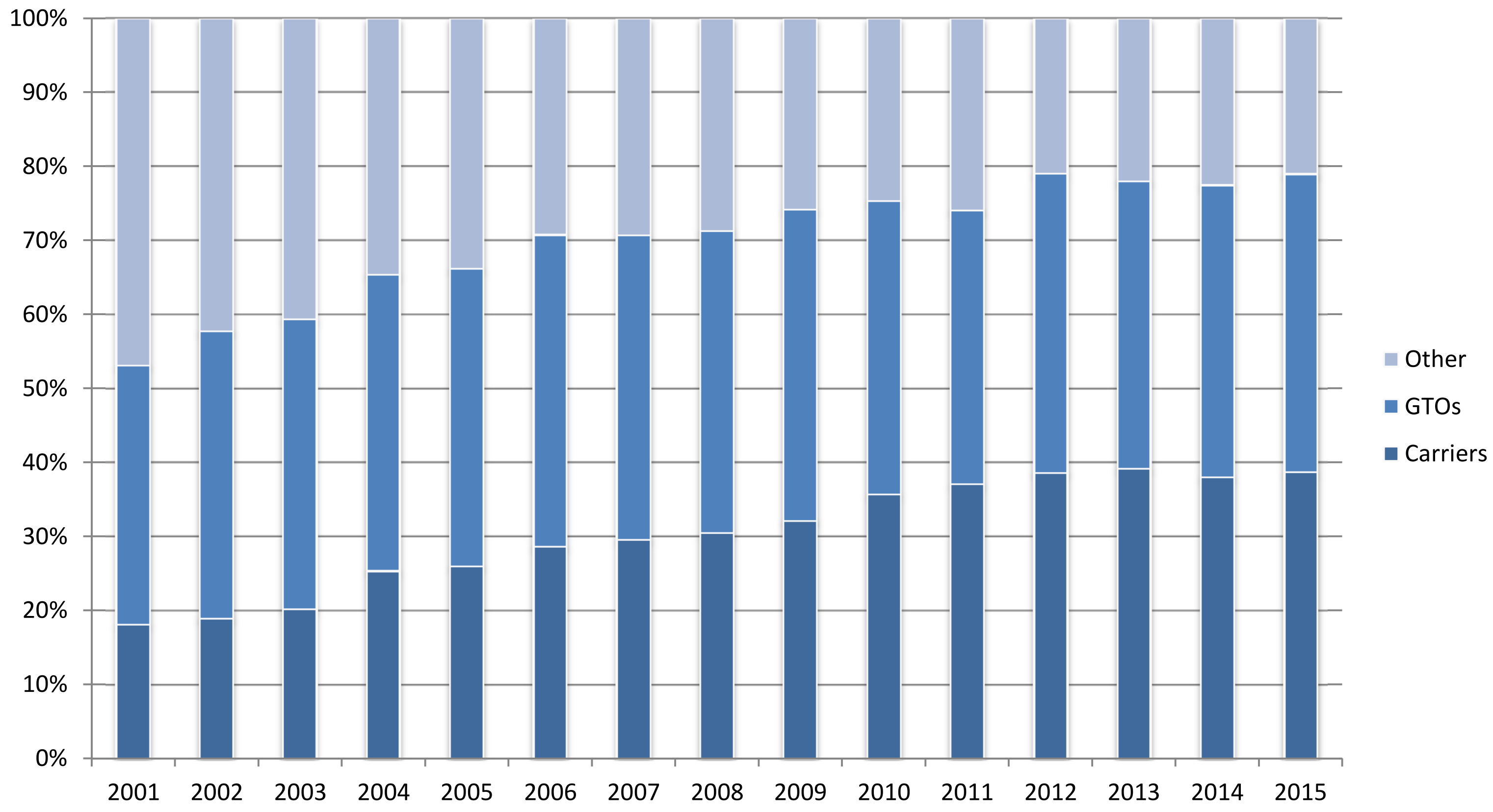
3. Vertical integration

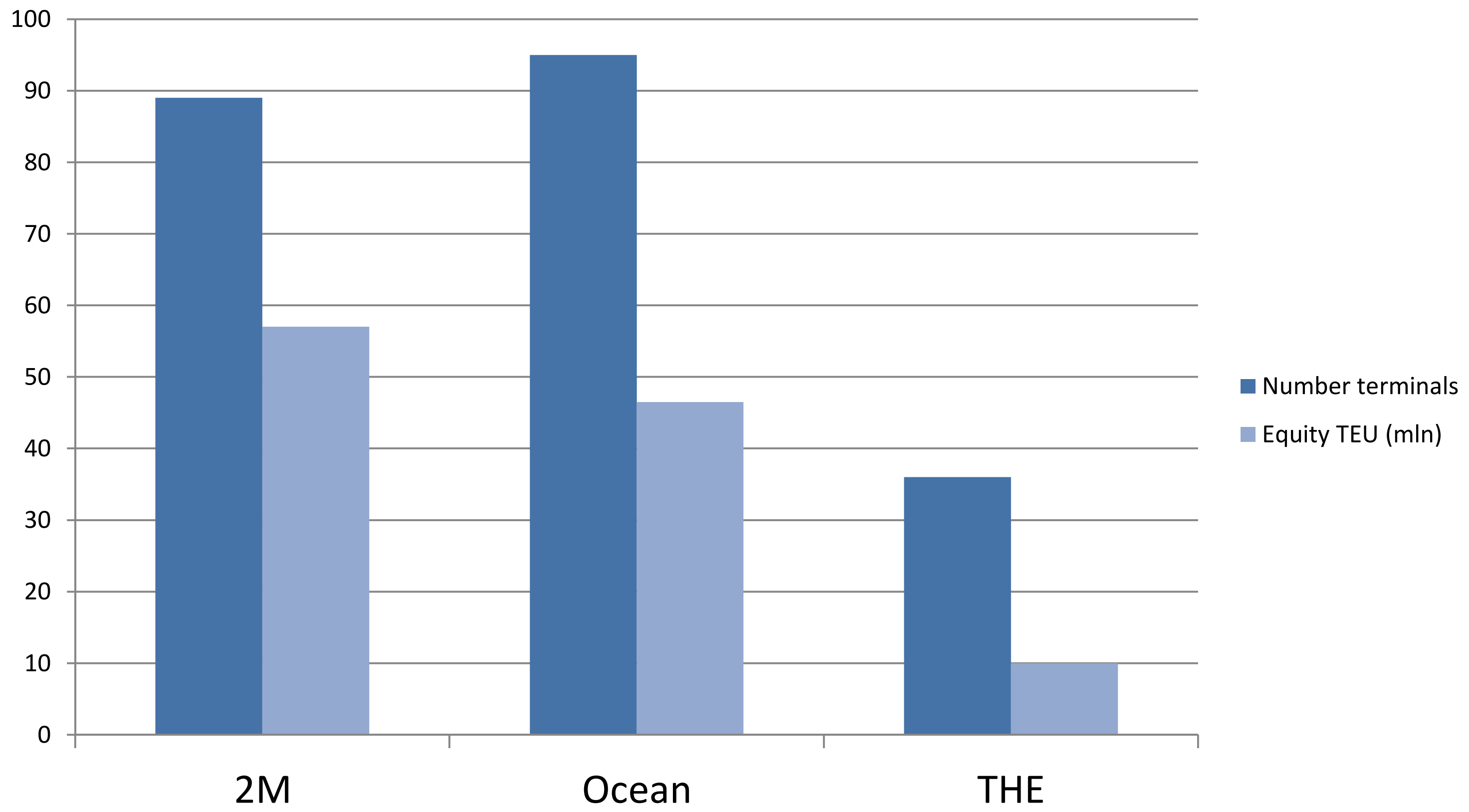
Carriers as container terminal operators



Source: ITF/OECD elaborations based on Drewry

3. Vertical integration: carrier-terminals

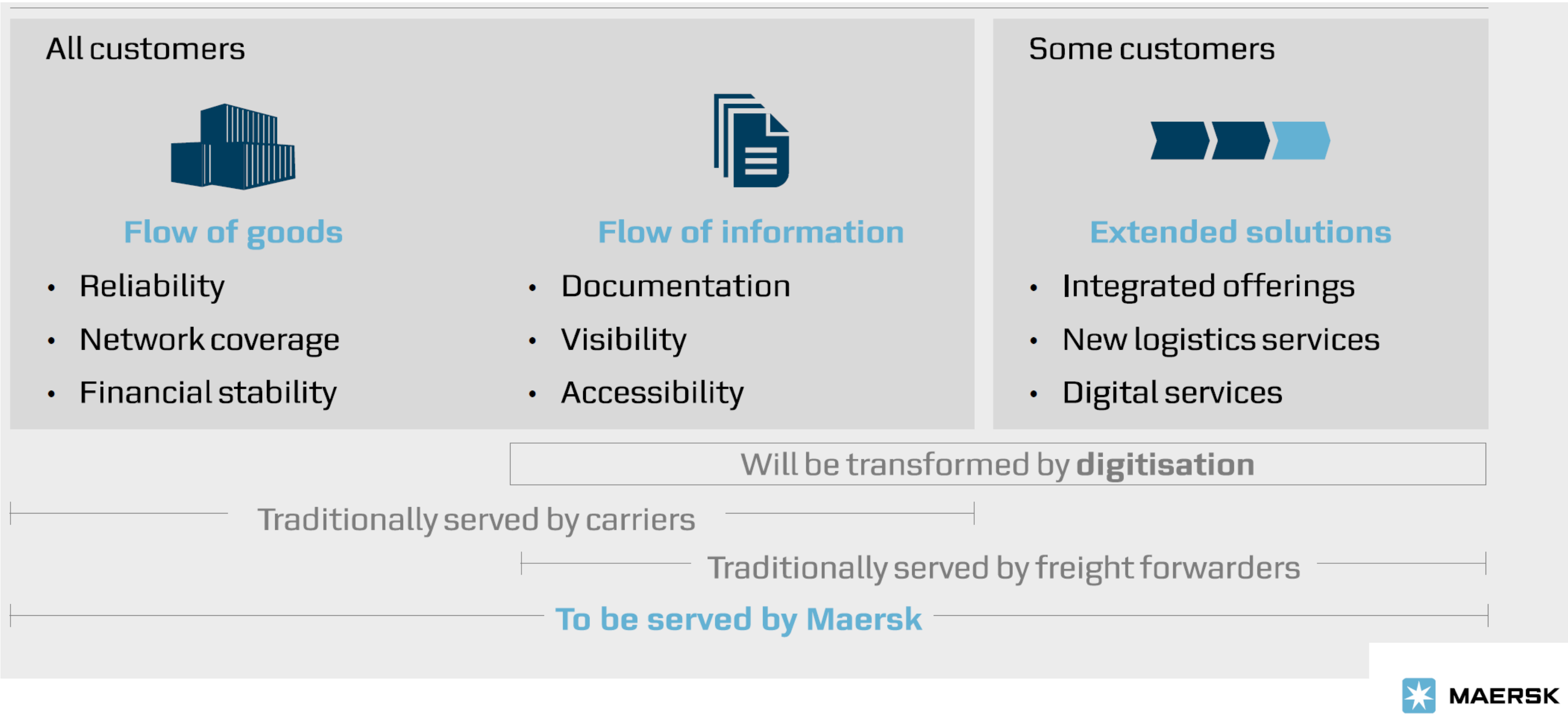
Alliances as terminal operators



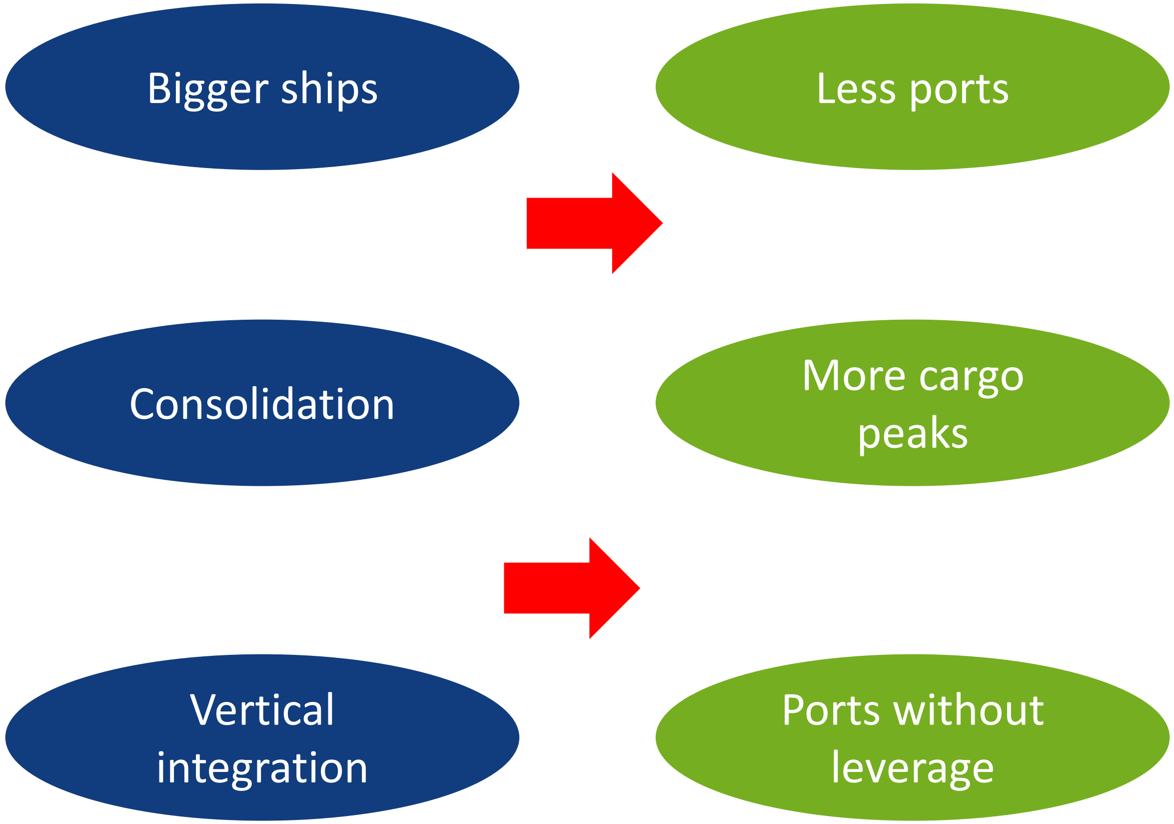
Source: ITF/OECD elaborations based on Drewry

3. Vertical integration: other avenues

- Carriers-hinterland transport
- Carriers as freight forwarders

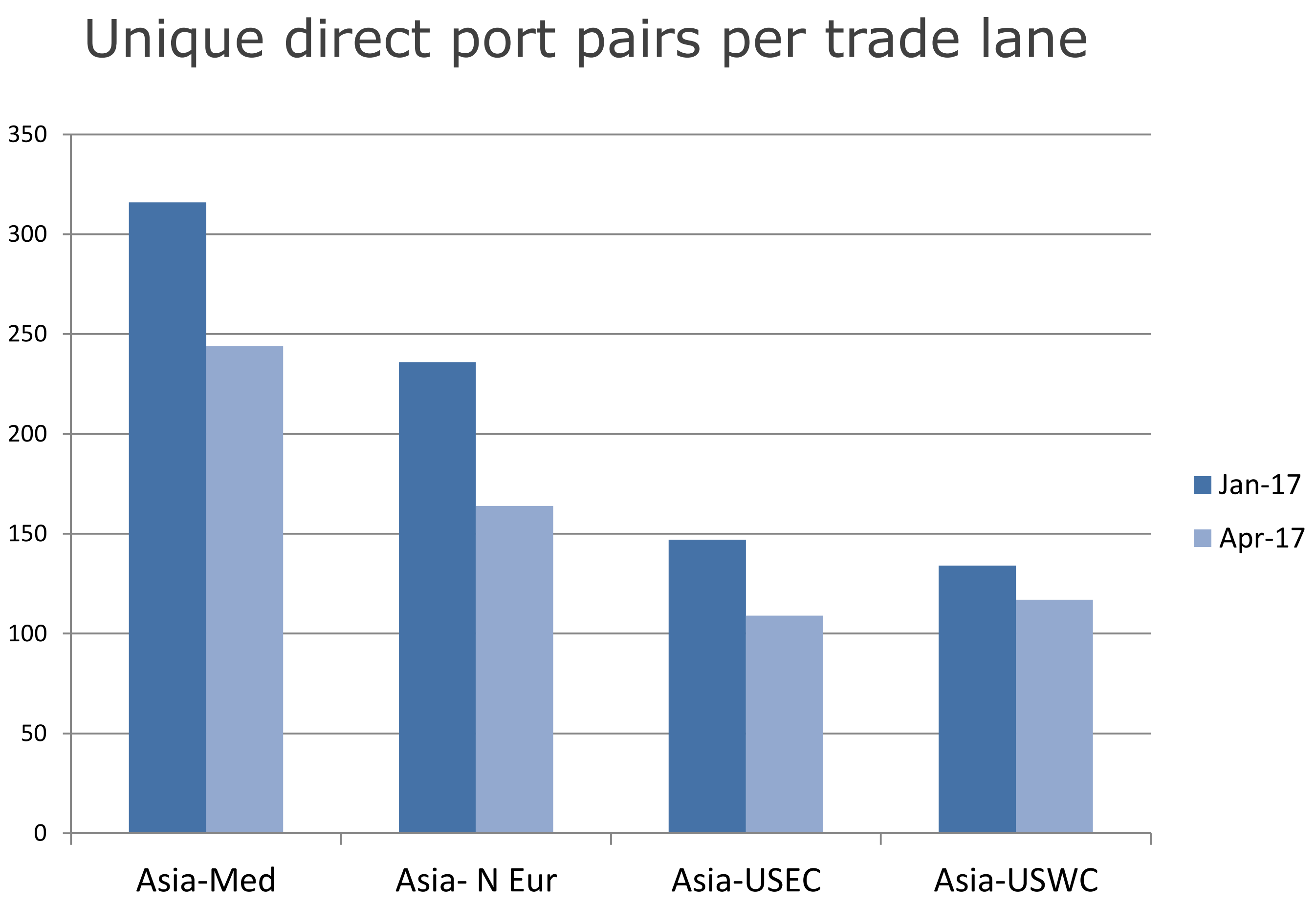


A sustainable model for the future?



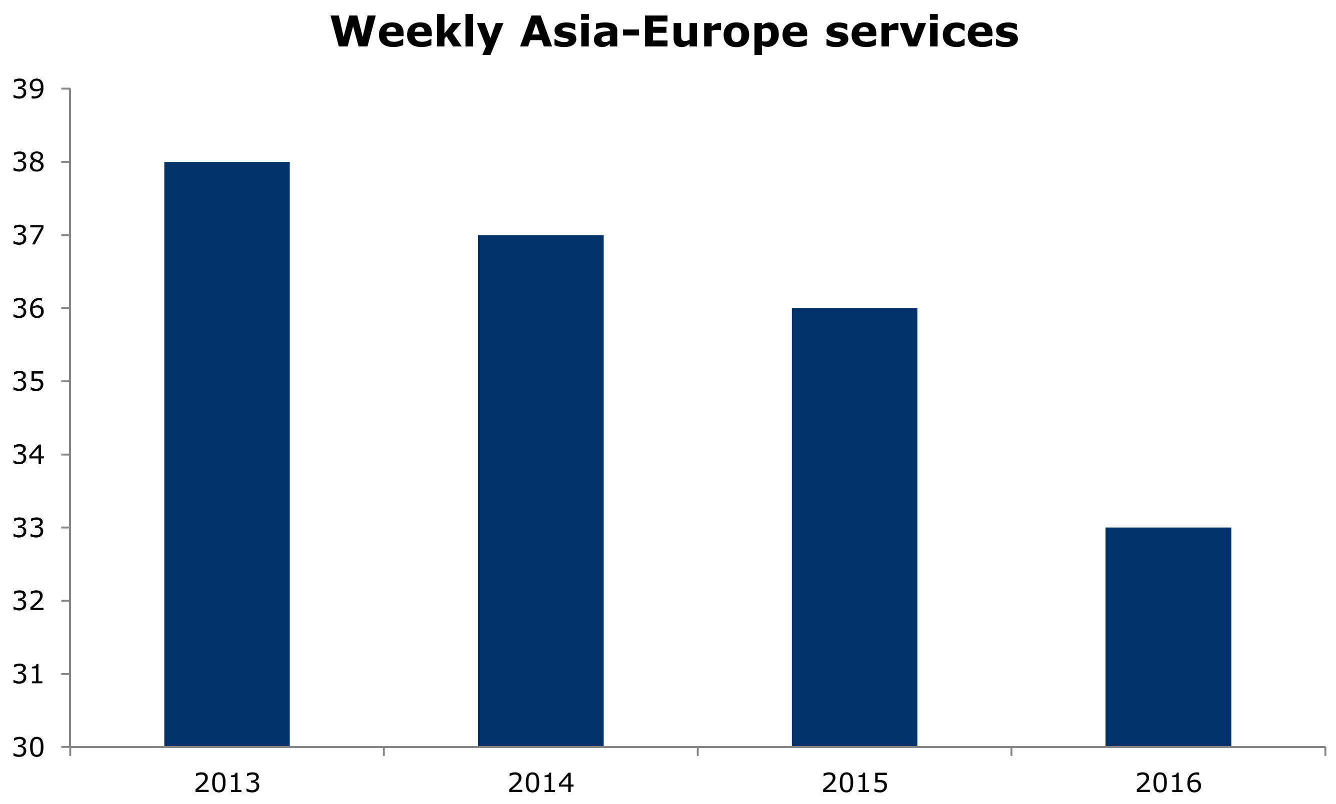
Source: ITF/OECD elaborations

Three alliances: less port-to-port connections



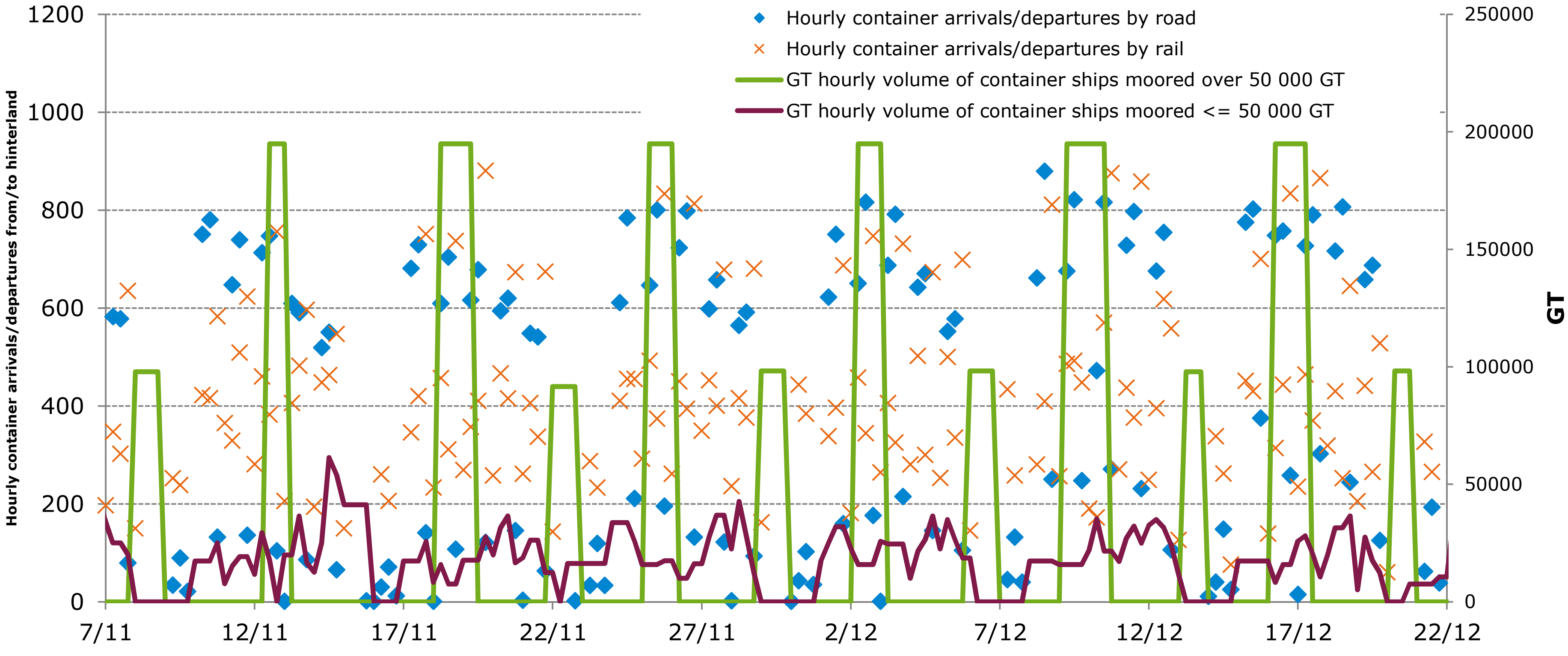
Source: ITF/OECD elaborations based on SeaIntel

More peaks: less weekly services



Source: ITF/OECD elaborations based on SeaIntel data

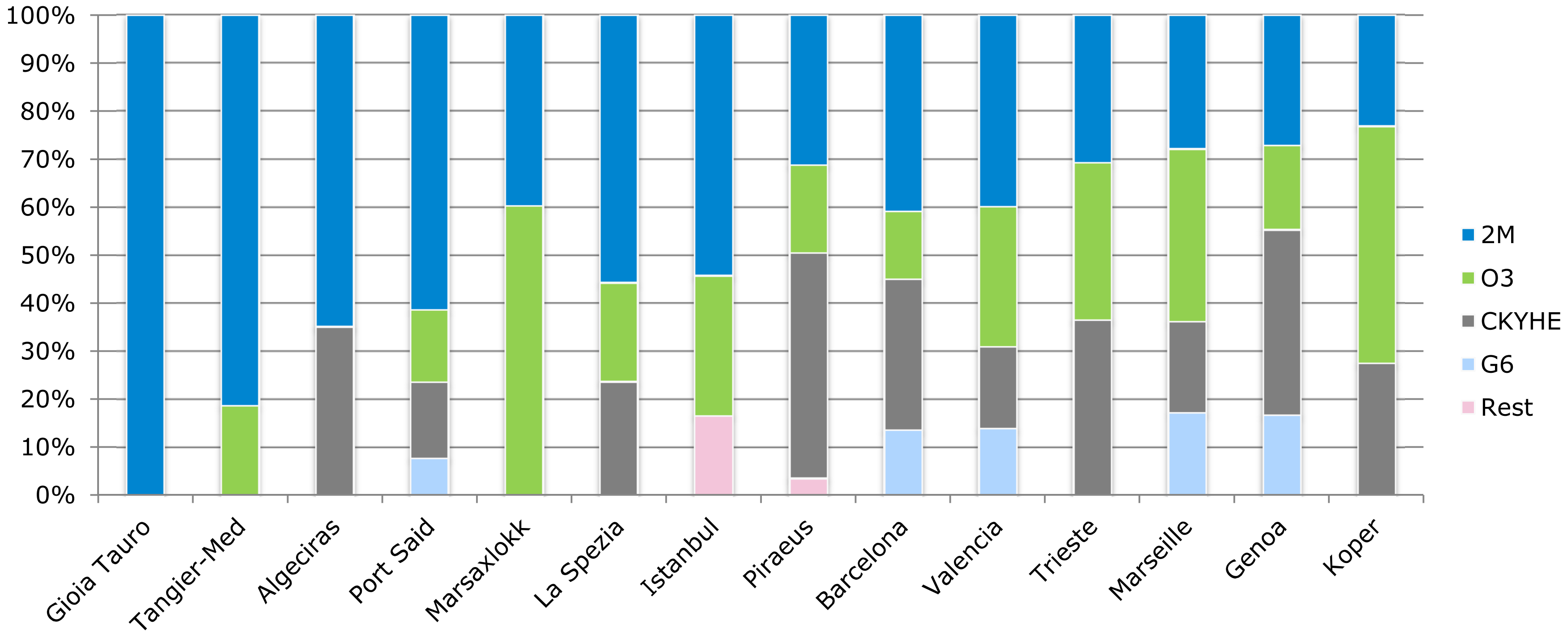
More peaks and troughs in terminals



Source: ITF/OECD (2015), “The Impact of Mega-Ships”

Port dependence of ports on alliances: the Med

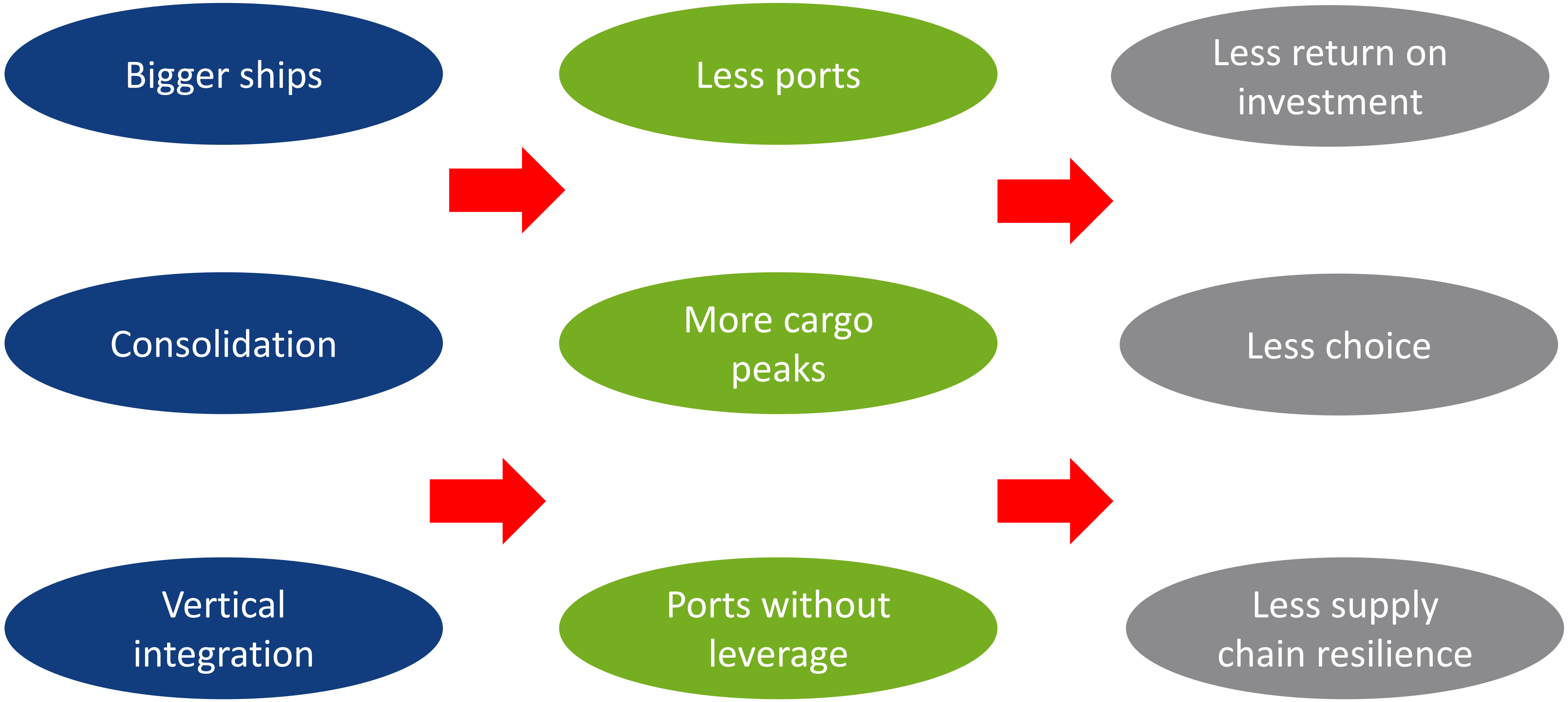
Some ports are almost fully dependent on one alliance, so very vulnerable



Container ship capacity on Far East-Med route (2015)

Source: ITF/OECD elaborations based on data from Dynamar 2015

A sustainable model for the future?



Source: ITF/OECD elaborations

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What can policy-makers do?

	Port level	Supra/national
Bigger ships	"Mega-ship ready" User-pays-principle Port cooperation	Weight & dimensions Ports hierarchies State aid conditions
Consolidation	Port alliances and mergers	Consortia regulation Merger guidelines
Vertical integration	Choice for multi-user Stage director for hinterland	Competition regulation

Source: ITF/OECD elaborations

Port leverage; what can policy-makers do?

Merger/coordination of ports:

- Seattle/Tacoma
- Georgia/Virginia
- Italian port reform
- France: regional port cooperation

Terminal consolidation in ports:

- Miami
- Korea

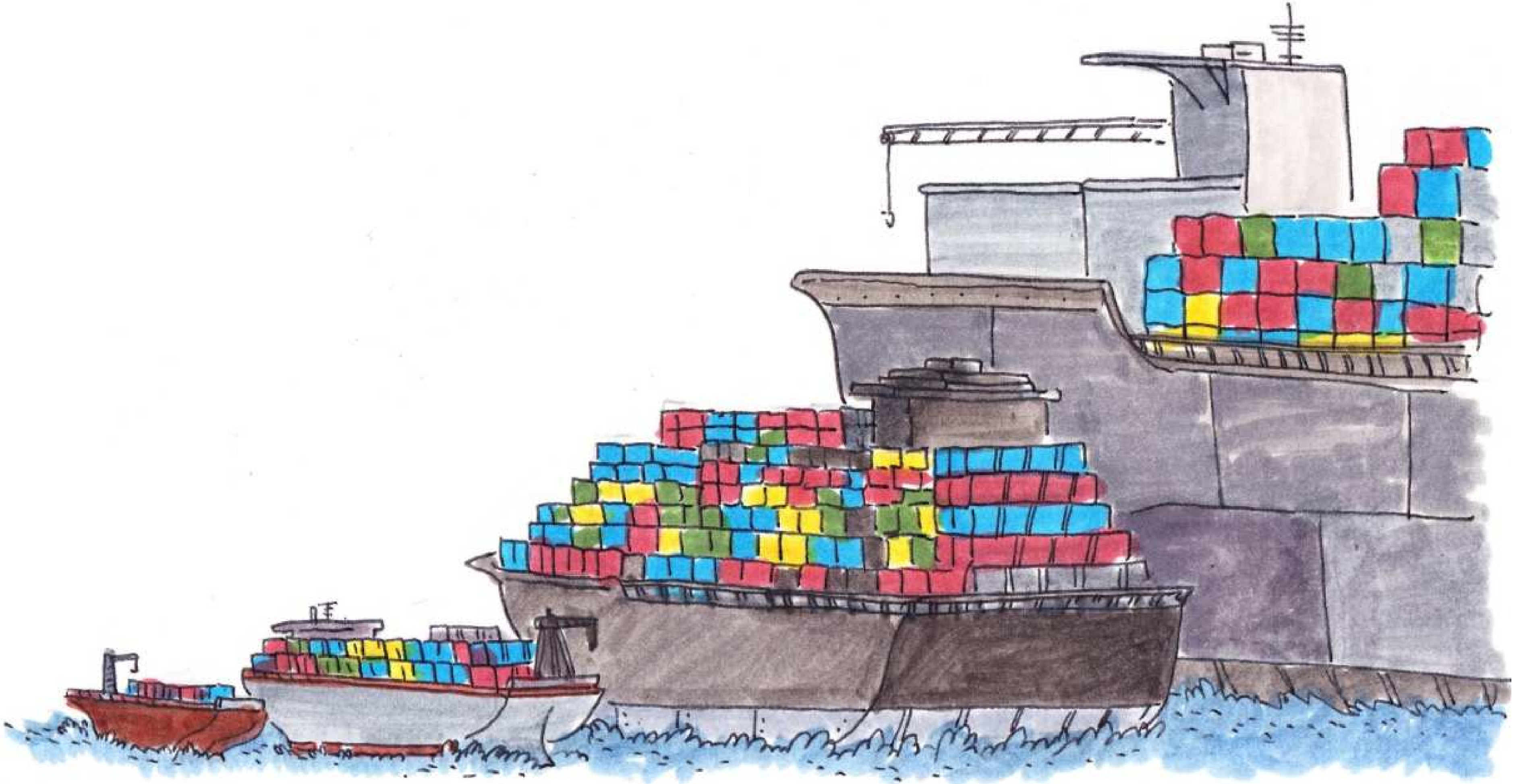
Port networks:

- ChainPort

Level playing field for regulation of alliances?

EU consortia regulation allows: ”joint operation or use of port terminals and related services”

US DoJ: “provisions permitting OCEAN Alliance members to jointly negotiate supply contracts should be removed”



Drawing by Kevin Budnik

Thank you!

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