



Sea freight

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By Anne Hunter

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The oligopolisation* of container shipping

There was a certain irony in the 1 April 2017 (April Fools Day) launch date of the three big new shipping alliances that would dominate global shipping volume. With their operational focus on the Asia/Europe and trans-Pacific trades, the three vessel-sharing container shipping alliances are:

- 2M – Maersk and MSC (with Hyundai Merchant Marine a limited partner).
- THE Alliance – Hapag-Lloyd, Yang Ming, KLine, NYK and MOL.
- OCEAN Alliance – CMA CGM, COSCO, Evergreen, OOCL.

In the light of even more recent merger and acquisition (M&A) activity, the membership of these alliances may well change in 2018 as the new merged forces settle down together.

2016 and 2017 were years of intense M&A activity:

- CMA CGM acquired Singapore's NOL and its container unit APL.
- COSCO and China Shipping, China's two biggest shipping lines, merged into COSCO.
- Hapag-Lloyd acquired CSAV of Chile and then United Arab Shipping (UASC).
- Maersk acquired Hamburg Süd.
- COSCO acquired OOIL and its container unit OOCL.
- NYK, MOL and K Line – Japan's three main lines, have formed a new joint venture operating company (as yet unnamed) unofficially called, for time being, 3J. It will commence joint operations by April 2018.

While generally accepted that New Zealand will be insulated from any major 'damage' arising from this consolidation among the primarily east/west focused lines, their deployment of increased vessel capacity, their redeployment and repositioning of tonnage, will inevitably cascade tonnage onto smaller trades like New Zealand where the capacity may not be suitable or needed.

Hamburg Süd was the last remaining carrier among the 'top 10' operators with a clear focus on the north/south trades. A strong reefer carrier, the German-

owned Hamburg Süd was taken over by Maersk in 2017 – a merger finally cleared by all relevant international competition authorities albeit with certain conditions set by both the European and Chinese authorities.

Some of those conditions are extremely stringent in their requirements for withdrawal from certain trades and alliances by both Maersk and Hamburg Süd.

Recognised as one of the toughest conditions, is the one from the European Commission requiring that Hamburg Süd must withdraw from consortia which (among other trades) links the South America West Coast to Europe. This, says the experts, leaves MSC in a dominant position on that route.

Alpliner estimates that in 2015 Hamburg Süd had a 26 percent container volume market share on the US/Australia/New Zealand trade and a 42 percent share on the New Zealand/Australia/US trade, while Maersk had a nine percent and 12 percent share respectively.

Mike Knowles of Zespri and chairman of the NZ Shippers Council said his organisation's initial concern centres on the dominant market share of the combined force on the New Zealand trade. "With Maersk and Hamburg Süd we have the merger of the first and second ranked container operators on the New Zealand trade. Globally the impact is less with Maersk (at mid-year) holding an estimated 15.7 percent global market share against Hamburg Süd's three percent. But, estimates indicate that on the New Zealand trade in total, Maersk has around 35 percent market share and Hamburg Süd 17 percent, which gives the merged force a concerning 50 percent market share."

(How well the two retain those shares depends to some extent, on the success of the merger and integration process. International maritime consultancy Drewry estimates that when Maersk took over P&O Nedlloyd, it lost 53 percent of PONL's market share. Similarly, when Hapag-Lloyd bought CP Ships, it lost what was estimated at the time, to be 48 percent of the acquired market share.)

Further consolidation

In mid-2017 Maersk CEO Soren Skou told the London-



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