International Transport Forum

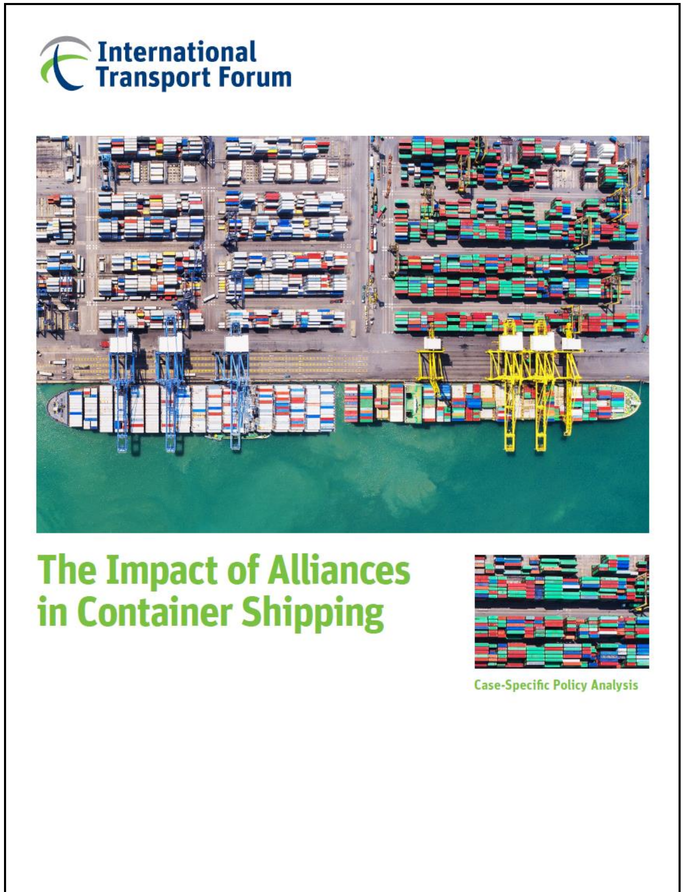
The Impact of Alliances in Container Shipping

Olaf Merk

OECD

International Transport Forum

New report



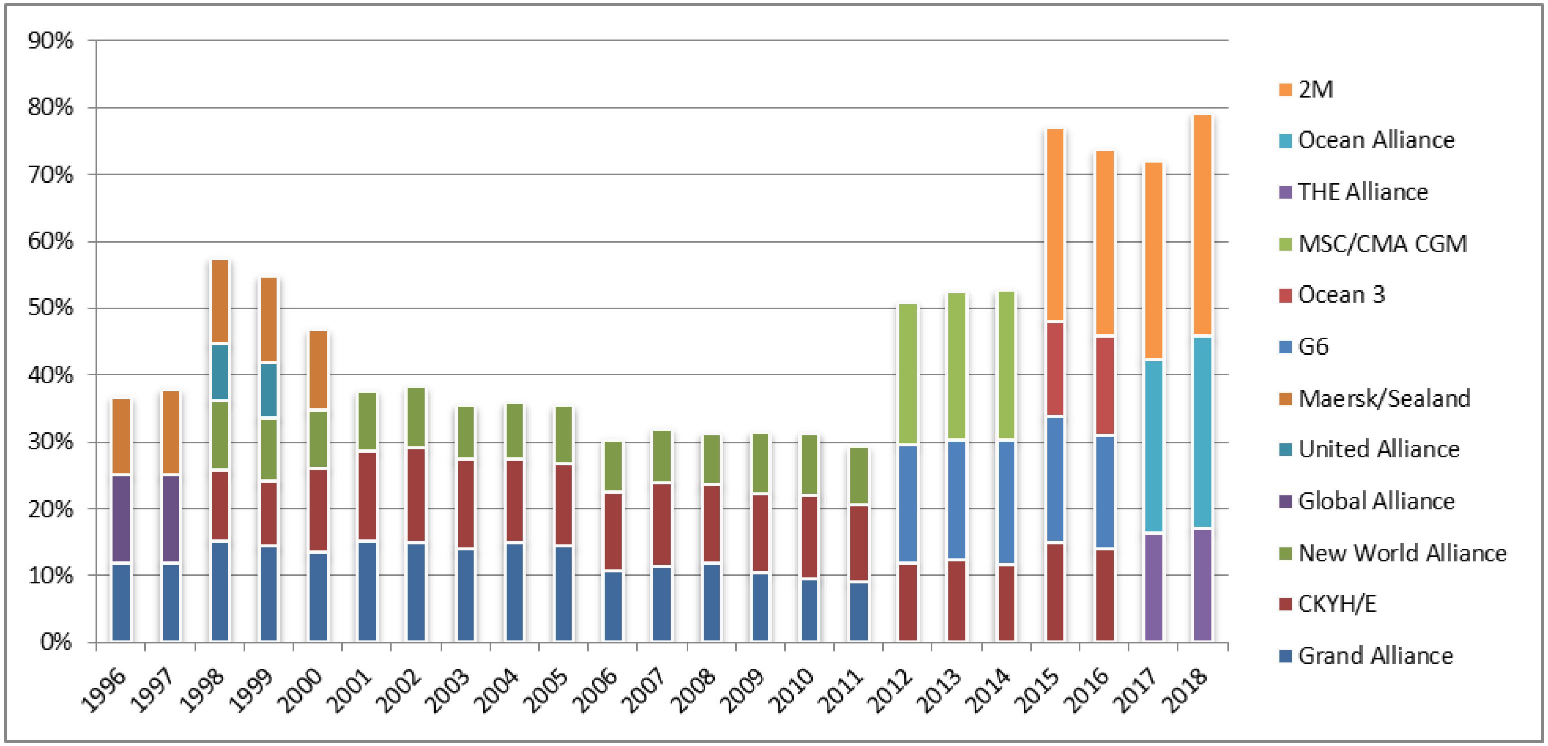
At the request of:

- Italy Ministry of Infrastructure and Transport
- Puertos del Estado (Spain)
- Hamburg Port Authority

https://www.itf-oecd.org/impact-alliances-container-shipping

1. What is an alliance?

Dominant feature of current container shipping industry



Global market share (container carrying capacity) of global alliances (1996-2018)

1. What is an alliance?

Transformed into tool for the big players

Alliance	Carriers	Global market share (%)	Global carrier rank
2M	Maersk	19	1
	MSC	15	2
Ocean Alliance	Cosco-OOCL	12	3
	CMA CGM	12	4
	Evergreen	5	7
THE Alliance	Hapag-Lloyd	7	5
	ONE	7	6
	Yang Ming	3	8

2. Impacts transport system: consumer surplus?

Price:

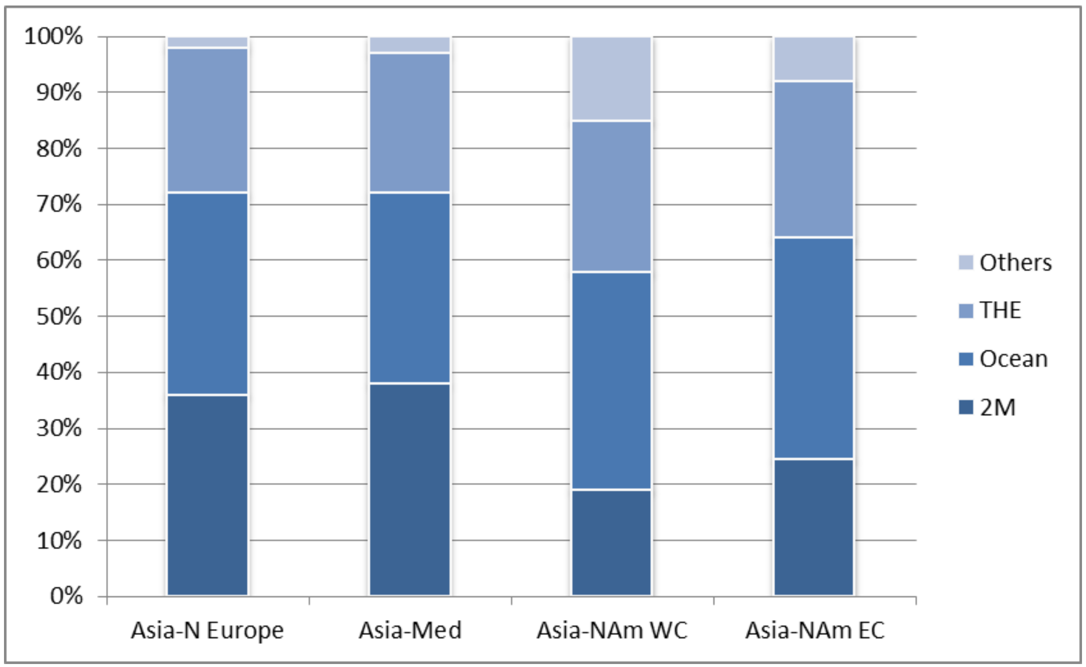
- Containerised freight rates have halved over the last two decades, yet there is a variety of surcharges.
- The multitude of surcharges makes it difficult to assess whether transport users benefit from alliances.
- This does not take subsidies and externalities into account.

System resilience:

- Alliances impact transport system resilience via less risk diversification, lacking supply chain visibility and vertical integration

2. Impacts on transport system: competition? (1)

Alliance as a possible barrier to entry



Capacity shares of global alliances on main East-West trade lanes in 2018

3. Impacts for stakeholders: shipping

- Barriers to entry for independent carriers.
- Most large carriers are large feeder operators. No joint alliance feeder operations (yet).
- Consolidation has increased leverage power of carriers vis-à-vis common feeder operators (rates, berthing priority).
- Alliance shifts require high flexibility from feeder operators
- Alliances and mega-ships create peaks that can easily result in port congestion.

3. Impacts for stakeholders: ports, terminals

Declining return on investment, related to:

- Growing dependence on alliance calls
- Buying power of carrier alliances
- “Winner takes all” competition

Resulting in:

- Decline of smaller container ports
- Concerns for independent terminal operators
- Concentration in the towage sector

3. Impacts stakeholders: freight forwarders

- Decreasing reliability and service quality
- Limited supply chain visibility
- Stronger leverage over contracts
- Availability of equipment and vessel slots
- Carriers’ initiatives in freight forwarding

3. Impacts stakeholders: shippers

- Less choice, less differentiation
- Supply chain disruption costs
- Bargaining power under pressure
- Constraints to risk management

Thank you!

Olaf Merk

olaf.merk@itf-oecd.org
Twitter: @o_merk