

Suez Canal: **What else** for global shippers

Lots of hype and exaggerated impact.

The good news: The incident got shipping into the news.

It helped highlight three key long-term challenges for global shippers:

1. Markets/ consolidation in liner shipping
2. Technologies
3. Decarbonization of shipping

1 Markets

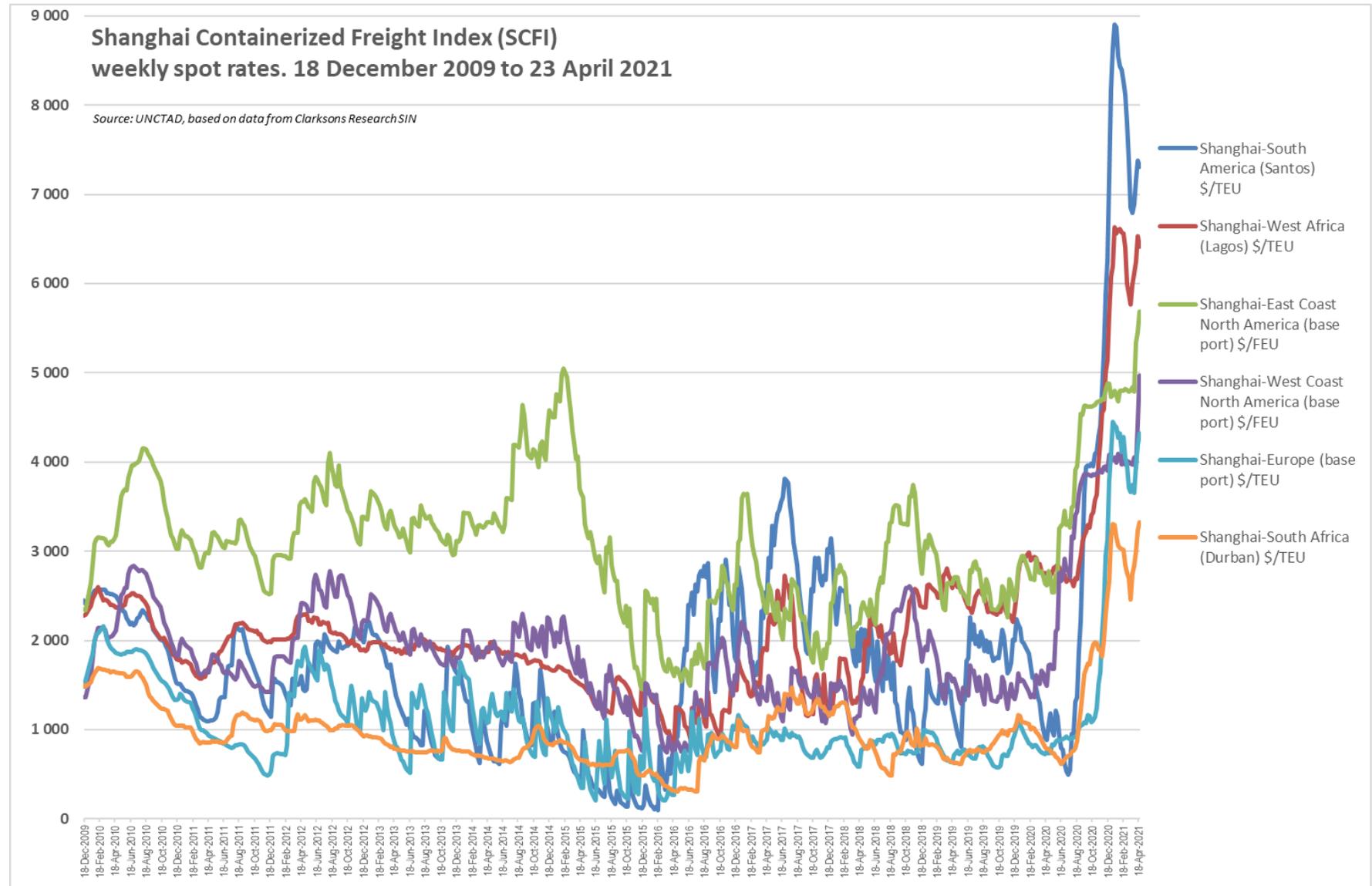
Freight rates surged after the incident

There is discussion as to the main causes:

- Oligopolistic markets

and/or

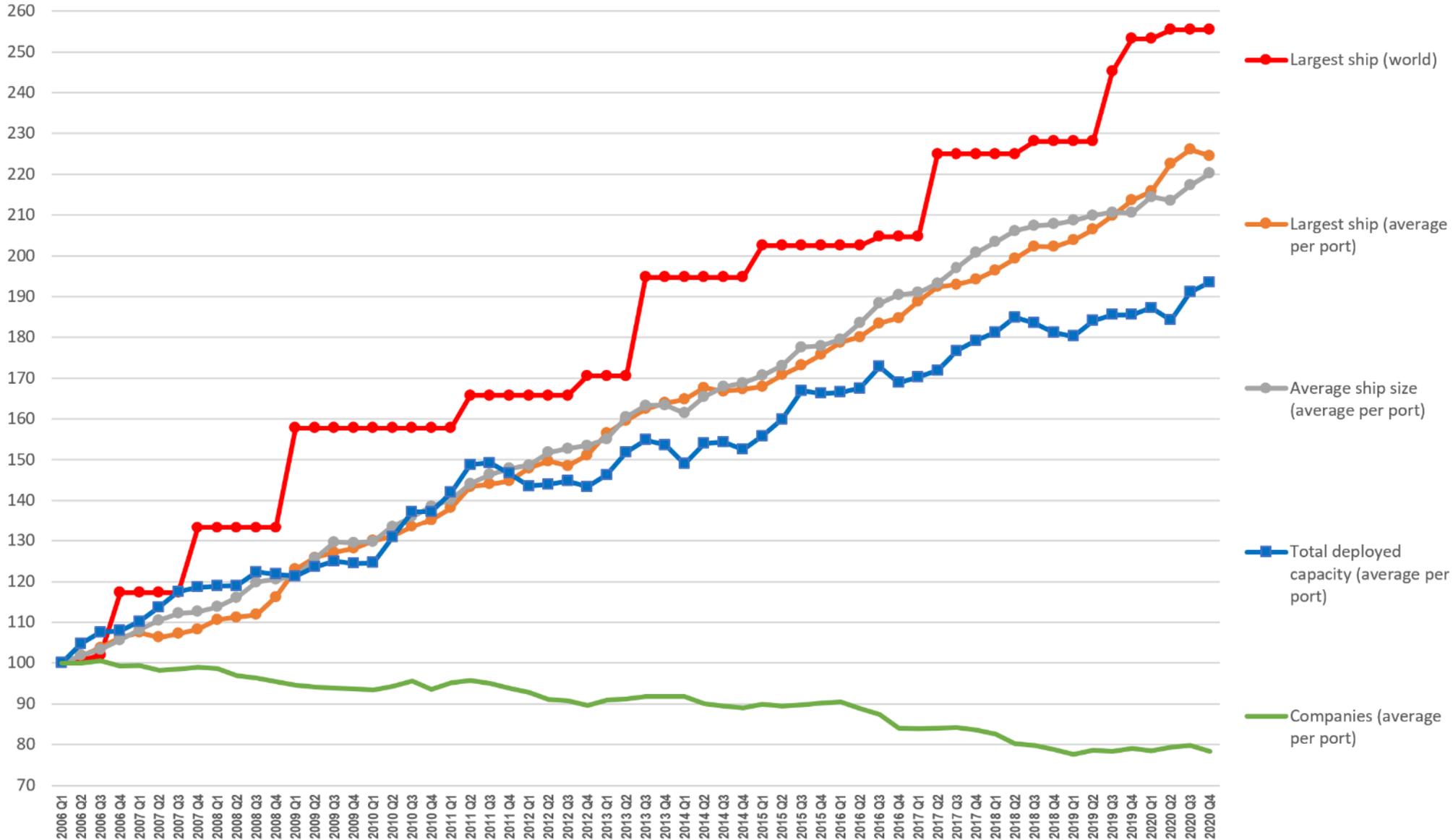
- Shortage of containers and ships



Trends in containership sizes - Q1 2006 to Q4 2020

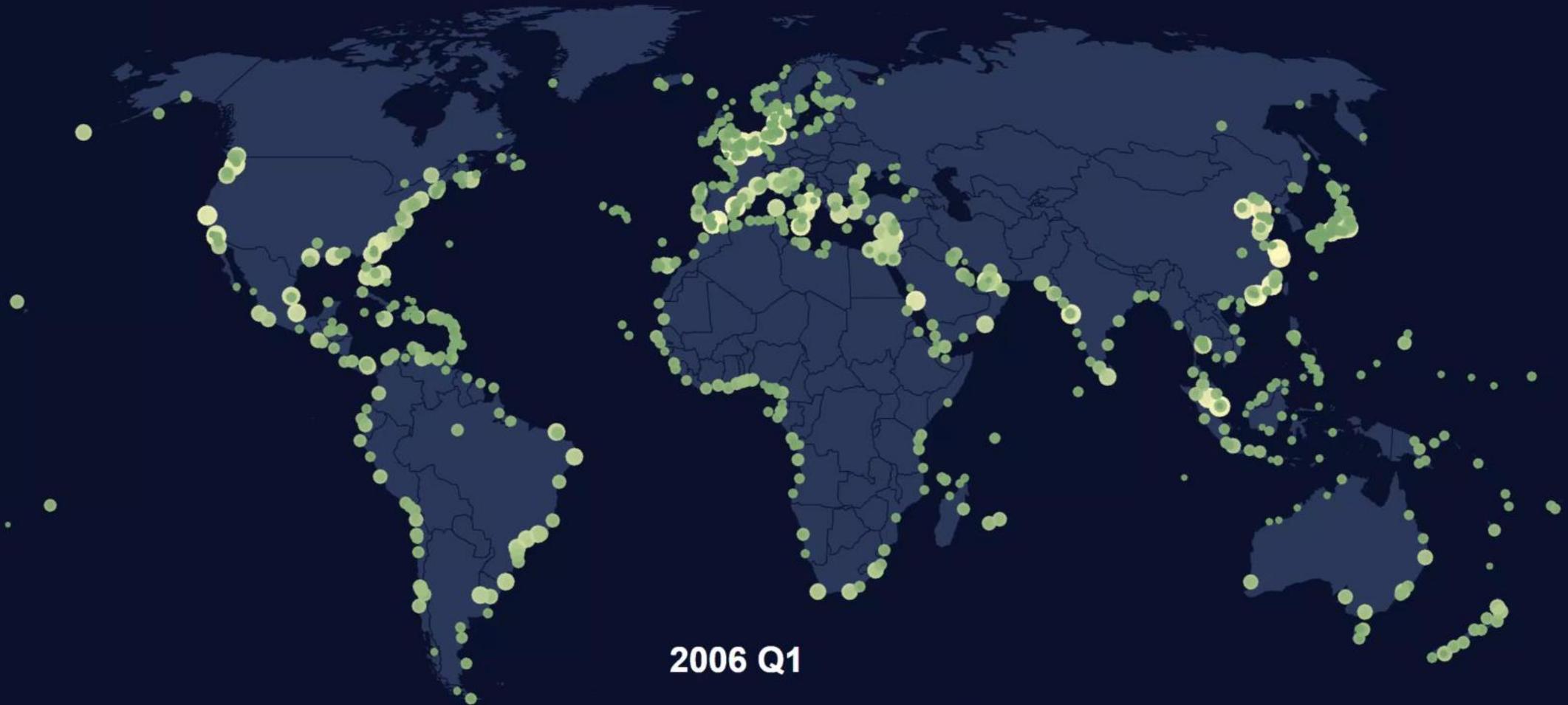
Q1 2006 = 100

Source: MDST data provided to UNCTAD



Where do the largest container ships call?

Size (TEU) of the largest ships deployed in each port. First quarter 2006 to fourth quarter 2020.



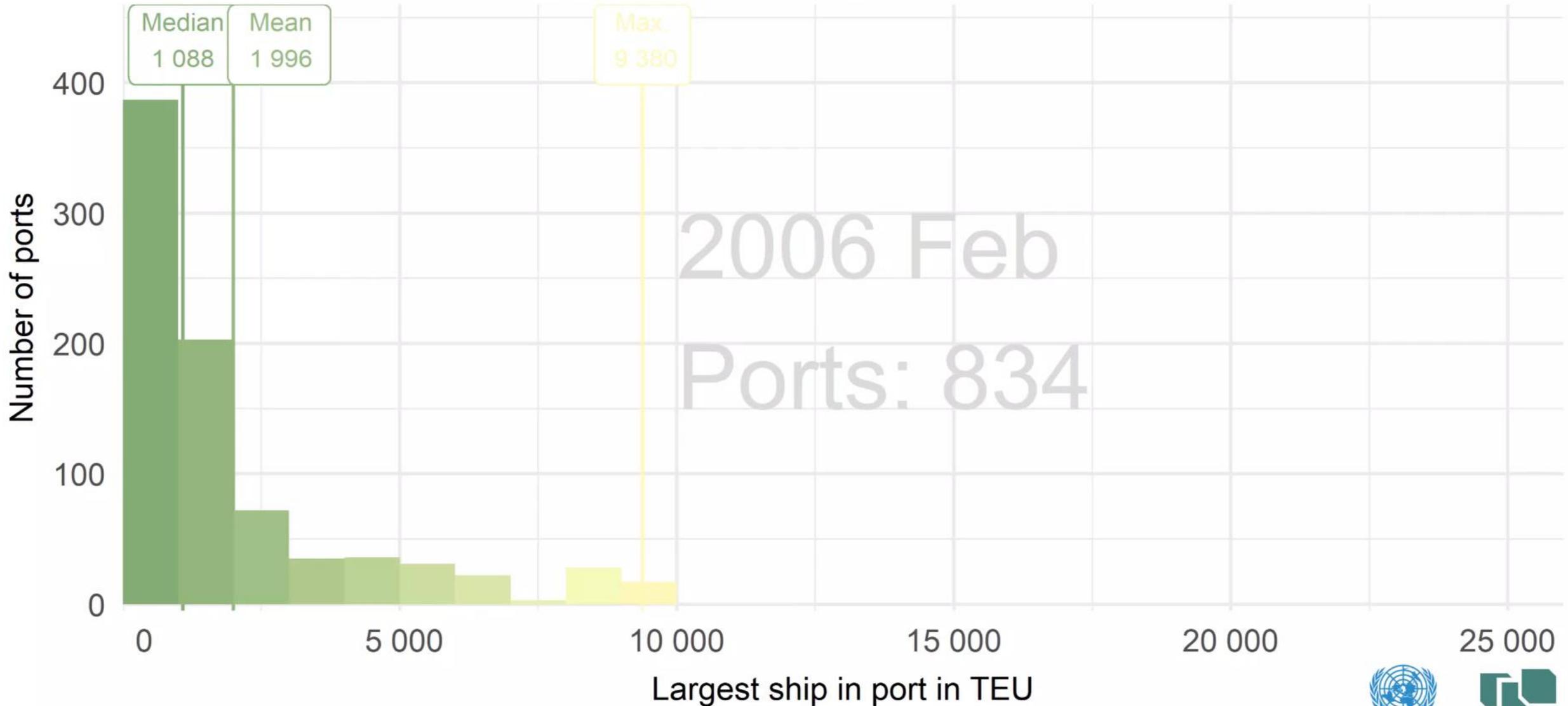
2006 Q1

Largest ship
in TEU



Distribution of ports by largest container ship deployment

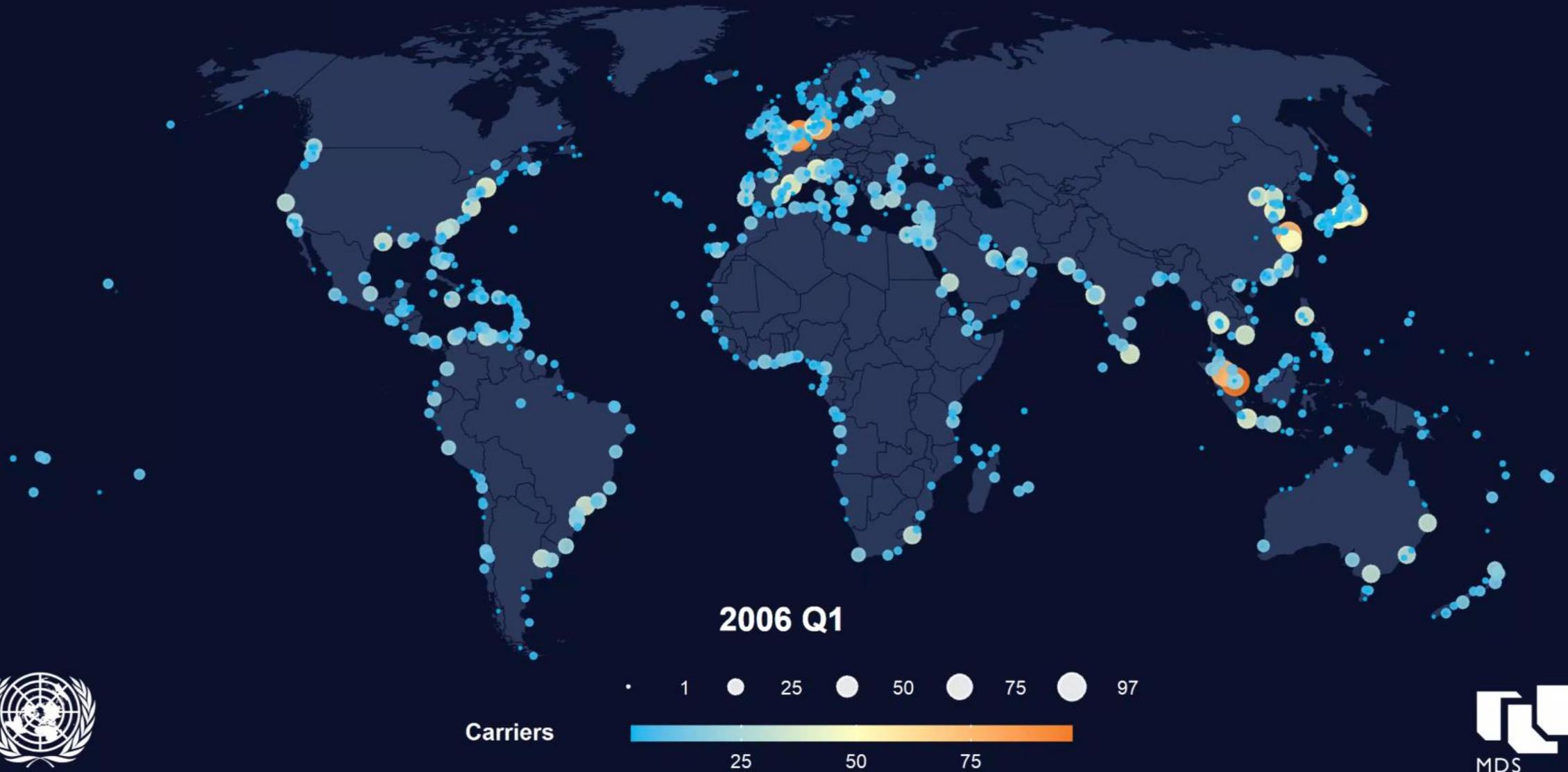
Size (TEU) of the largest ships deployed in each port. First quarter 2006 to fourth quarter 2020.



Source: UNCTAD based on MDS Transmodal, Containership Databank 2020 - visualized by Julian Hoffmann

How many carriers do ports have?

Number of carriers in each port from first quarter 2006 to fourth quarter 2020.



2006 Q1

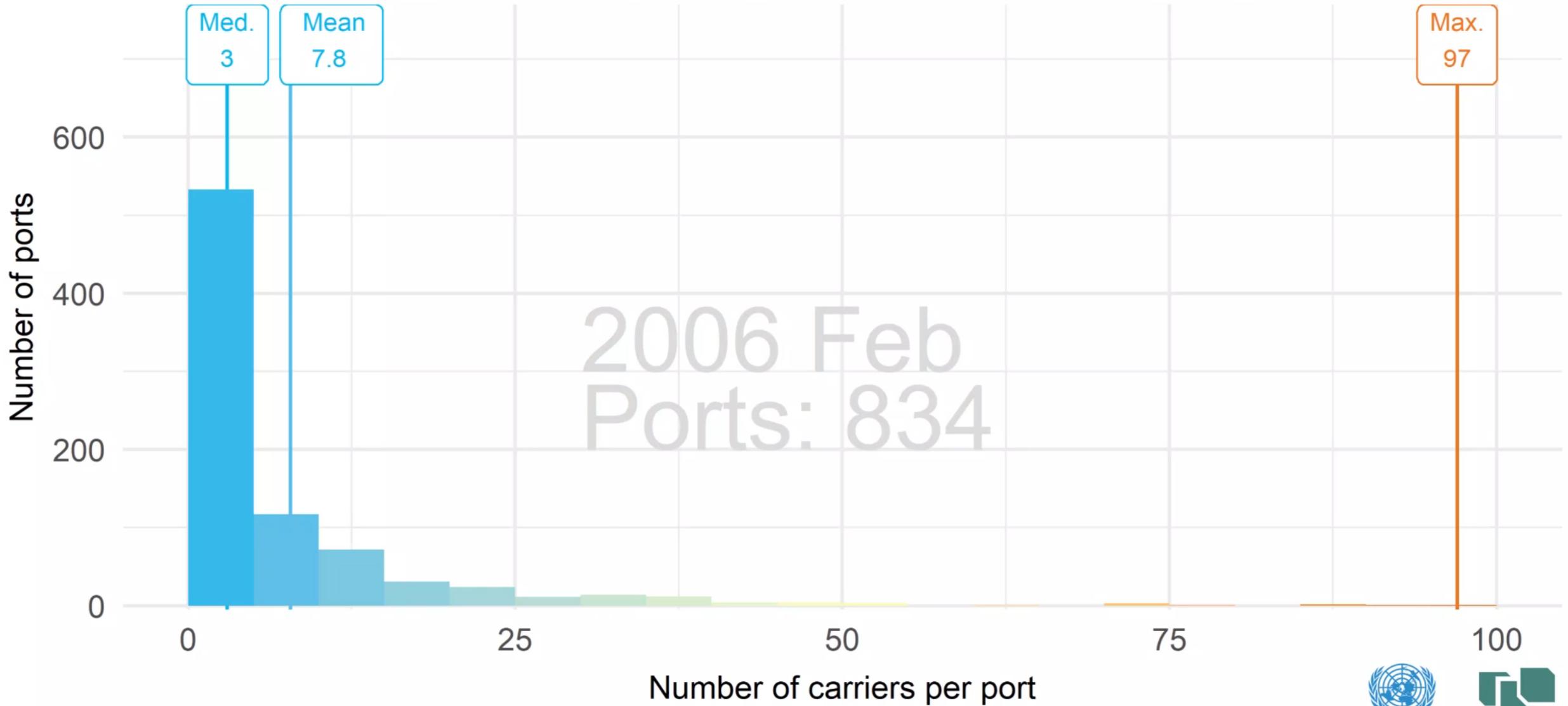


Source: UNCTAD based on MDS Transmodal, Containership Databank 2020 - visualized by Julian Hoffmann



Distribution of ports by number of companies

Number of carriers providing services per port. First quarter 2006 to fourth quarter 2020.



Source: UNCTAD based on MDS Transmodal, Containership Databank 2020 - visualized by Julian Hoffmann





Challenges for national competition authorities

Trade terms

SIR - The term “shipper” was wrongly used in your article on shipping (“Economies of scale made steel”, November 12th). The shipper is the client, that is, the importer or exporter of goods. The provider of the service is the shipping line, or carrier. Furthermore, although it is true that the carriers benefit from economies of scale, which help to reduce their costs, these cost savings still need to be passed on to the client (the shipper).

The same trend of market concentration that leads to cost savings may also lead to less competition. On routes where there are less than five carriers providing liner services there is evidence that the process of concentration leads in effect to higher freight rates. So not all cost savings will be passed on in the form of lower freight rates to the clients.

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Geneva

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Integración vertical

- P.ej Buenos Aires



MARKET CONSOLIDATION IN CONTAINER SHIPPING: WHAT NEXT?

Over the past two years, a wave of market consolidation has transformed the global container shipping industry, leading to mergers and acquisitions between container lines, a reshuffling of shipping alliances and the expansion of shipping companies into port operations. There is potential for more consolidation, which raises the question as to the implications for market concentration levels, and whether the industry is becoming an oligopoly on certain routes.

Consolidation activity in 2016–2018 reflects the industry's efforts to cope with the difficult market conditions faced since the 2008 global financial crisis. For many years, container shipping has struggled with low freight rates, dwindling earnings and poor financial returns.

There are clearly two sides to the container market consolidation story. By consolidating and joining alliances, container lines can expect to reduce costs, better manage ship capacity and enhance efficiency. These, in turn, benefit shippers, if on a given route the savings achieved by container lines translate into lower rates and improved service offerings. On the other hand, shippers, trade and ports can be negatively affected, if on a given route, consolidation results in reduced competition, constrained supply, market power abuse, and higher rates and prices. These trends call for systematic and regular monitoring and assessment of consolidation trends in container shipping.

Growing container shipping market consolidation

Since 2016, the global container shipping industry, which handles about 60 per cent of seaborne merchandise trade in terms of value, witnessed a series of developments leading to major market consolidation.¹ Container lines concluded various mergers and acquisitions and formed larger strategic shipping alliances – groupings where member container lines cooperate on strategic issues. This consolidation activity resulted in greater market concentration, with a handful of container lines dominating the market. As of January 2018, the top 15 container lines accounted for just over 70 per cent of all container ship capacity. Six months later, in June, the top 10 controlled almost 70 per cent of capacity, reflecting the completed operational integration of the new mergers.

Between 2004 and 2018, the number of companies providing services per country



¹ This policy brief draws mainly upon the information, data and analysis reported in the UNCTAD publication, *Review of Maritime Transport 2018*. Relevant references and sources are available at <http://unctad.org/RMT> (accessed 13 September 2018).

2

Technologies

- Need for global, multilateral standards and solutions

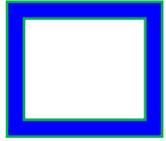


How to set today the rules for the future of maritime transport?

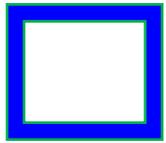
Technological progress will never be as slow as today



Who leads the IT reforms in your company?



The CEO



The CTO



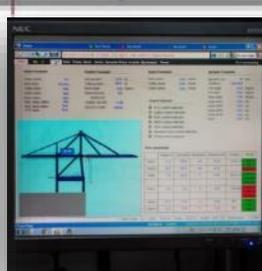
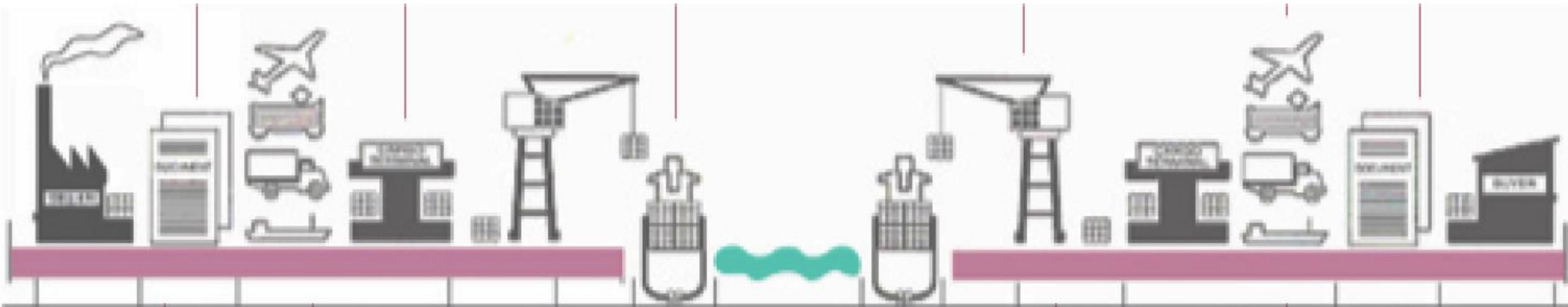
Covid-19



Shipping in times of COVID19

A 10-point action plan

<https://unctad.org/en/pages/PublicationWebflyer.aspx?publicationid=2713>



Is there a trade-off between controls and trade facilitation?



The concrete measures proposed in this policy brief help to facilitate transport and trade and to protect the population from COVID-19.

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT
UNCTAD

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POLICY BRIEF

COVID-19: A 10-POINT ACTION PLAN TO STRENGTHEN INTERNATIONAL TRADE AND TRANSPORT FACILITATION IN TIMES OF PANDEMIC

The coronavirus disease (COVID-19) pandemic is substantially impacting people's lives and livelihoods and putting extreme stress on socioeconomic systems. International collaboration, coordination and solidarity among all is going to be key to overcoming this unprecedented global challenge. As part of efforts aimed at reducing the international spread of the virus and to mitigate the potentially crippling longer-term consequences of the pandemic, especially for the most vulnerable countries, policymakers need to take a number of measures to ensure the facilitation of international trade and the transport of goods. It is crucial to keep ships moving, ports open and cross-border and transit trade flowing, while ensuring that border agencies can safely undertake all necessary controls.

Key points

- There is a need to keep ships moving, ports open and cross-border trade flowing, while ensuring that border agencies can safely undertake all necessary controls.
- Facilitating trade and the transport of goods has become more important than ever, to avoid economic collapse and to ensure the flow of necessary supplies.
- The concrete measures proposed in this policy brief help to facilitate transport and trade and to protect the population from COVID-19.

Challenges for international trade logistics*

Border agencies face the challenge of expediting imports, exports and transit, including of necessary medical supplies, donations and relief consignments, while ensuring epidemic prevention and providing adequate customs clearance and compliance controls of goods and transport personnel.

This challenge affects goods and services that are necessary for the preservation of many jobs in manufacturing, on which modern society depends. Particular efforts need to be made on the part of Governments to secure and enhance the production and distribution of critical goods needed to contain and combat the pandemic (such as medical supplies and equipment) and to secure basic needs (including food and energy). Relevant service providers and the supporting infrastructure need to be protected as a matter of priority. This includes ensuring that transport services, ports and border agencies not only remain operational, but are effectively strengthened to cope with the exceptional challenges they face.

Governments need to adopt common approaches to addressing these issues across the global network of supply chains to avoid widespread disruptions. In the absence of urgent action in this regard, the post-pandemic economic recovery may be severely hampered, potentially worsening long-term sustainable development prospects, particularly for the world's poorest and most vulnerable.

International cooperation on these points is vital, as protectionism may significantly exacerbate the global health crisis and delay a post-pandemic economic recovery. Effective collaboration, coordination and cooperation among public and private stakeholders at all levels will also be key.

* Note: All websites referred to in this document were accessed in April 2020.



3

Decarbonization

The biggest long-term challenge for the future of maritime transport

Short-term measure:

- Slightly higher costs
- Speed reduction

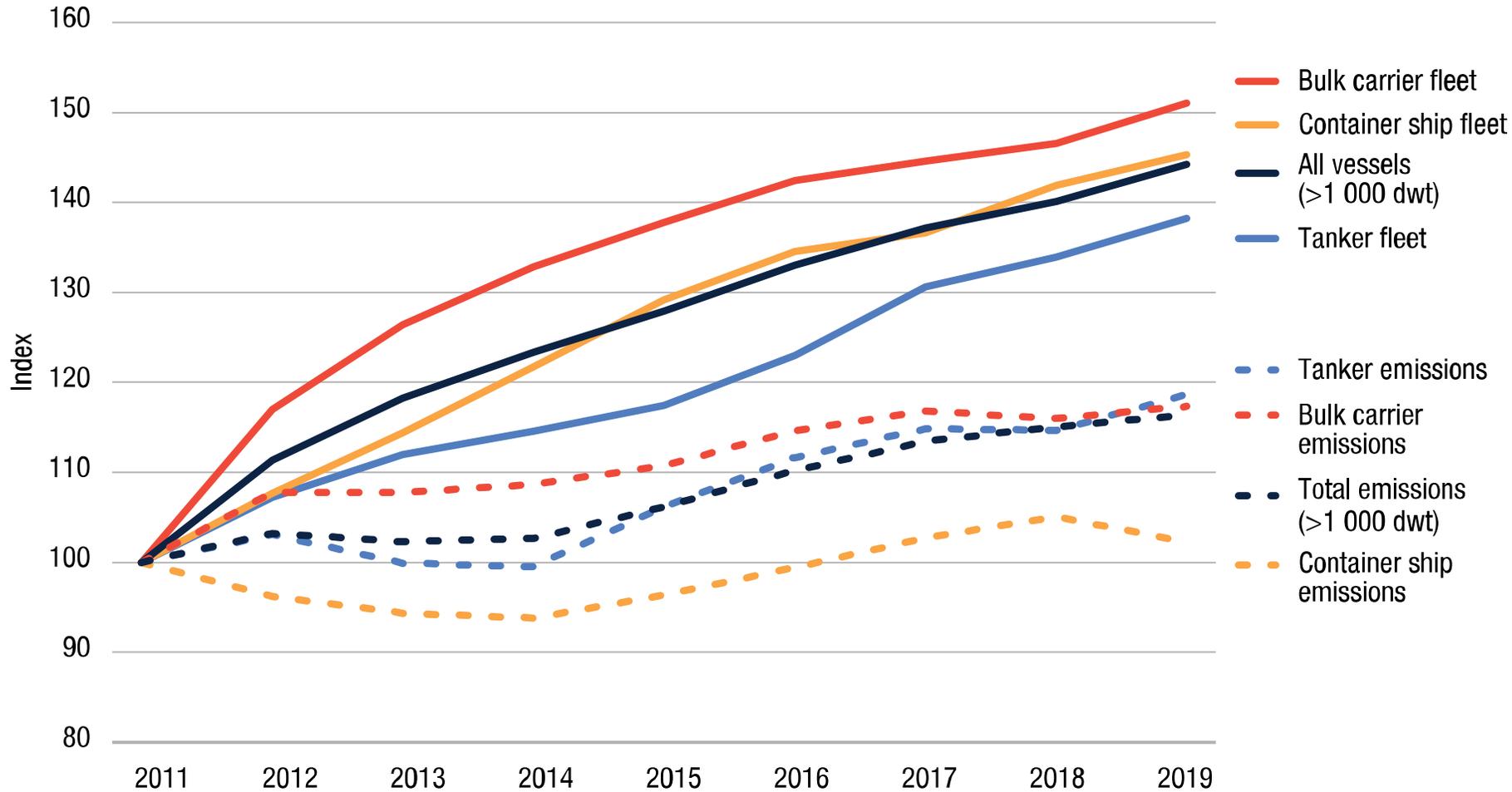
The screenshot shows the IMO website's 'In Focus' section. The main heading is 'Reducing greenhouse gas emissions from ships'. Below the heading is a large image of a container ship at sea, with a '13' icon in the top right corner. To the left of the image is a dark blue box with the text 'IN FOCUS'. Below the image, there is a paragraph of text: 'IMO continues to contribute to the global fight against climate change, in support of the UN Sustainable Development Goal 13, to take urgent action to combat climate change and its impacts.' This is followed by another paragraph: 'IMO has adopted mandatory measures to reduce emissions of greenhouse gases from international shipping, under IMO's pollution prevention treaty (MARPOL) - the Energy Efficiency Design Index (EEDI) mandatory for new ships, and the Ship Energy Efficiency Management Plan (SEEMP).' The next paragraph states: 'In 2018, IMO adopted an initial strategy on the reduction of GHG emissions from ships, setting out a vision which confirms IMO's commitment to reducing GHG emissions from international shipping and to phasing them out as soon as possible.' This is followed by a paragraph: 'IMO is also executing global technical cooperation projects to support the capacity of States, particularly developing States, to implement and support energy efficiency in the shipping sector.' Below this is a paragraph: 'Click on the image on the right to view and download a PDF leaflet on IMO Action to reduce greenhouse gas emissions from international shipping, including a timeline.' The next paragraph says: 'Below you will find some frequently asked questions about IMO's work to reduce GHG emissions from shipping.' This is followed by a paragraph: 'A detailed historical overview of IMO's work can be found here.' Below this is a heading: 'What are the next steps in implementing the GHG strategy?' and a paragraph: 'In October 2018 (MEPC 73), IMO approved a follow-up programme, intended to be used as a planning tool in meeting the timelines identified in the initial IMO strategy. The streams of activity identified in the programme of follow-up actions include:'. To the right of the text is a small image of a leaflet titled 'IMO ACTION TO REDUCE GREENHOUSE GAS EMISSIONS FROM INTERNATIONAL SHIPPING'.



TECHNICAL CO-OPERATION
COMMITTEE
41st session
Agenda item 7(c)

12 One possible source of autonomous sustainable financing is the "internalisation of costs". That means wherever it is administratively feasible it should be made sure that the "polluter" pays either for the prevention, clean-up or compensation for costs that are caused by his economic activity. *If* this can be assured the potential "polluter" will usually choose the cheapest mix of prevention, clean-up and/or compensation. Whenever others (e.g. individuals, donors, countries, companies) pay for the prevention, clean-up or compensation, then the potential polluter will rely on this "payment" as much as possible. If, for example, the public pays for "compensation" companies can free ride and will have less incentives to invest in "prevention" or "clean-up"; or if the public arranges the "clean-up" companies will need to pay fewer insurance premiums to cover potential "compensation". It must be stressed that the *total* costs will usually be minimised if each company had to choose the cheapest mix of mechanisms herself.

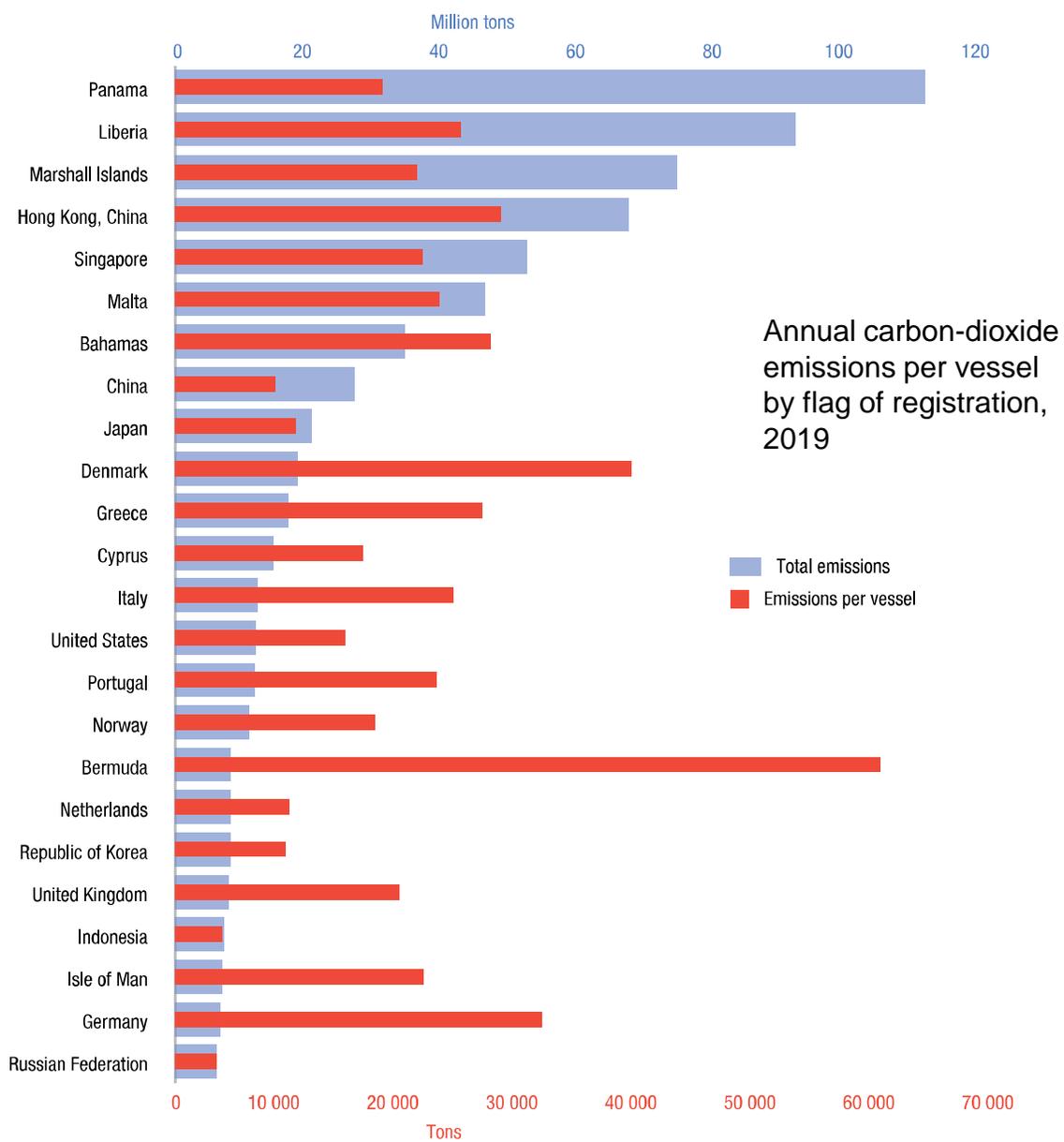
Figure 3.29 Comparison of dead-weight tonnage of respective fleet and carbon-dioxide emissions from bulk carriers, container ships and tankers, 2011–2019 (2011 = 100)



Source: UNCTAD, based on Marine Benchmark.

<http://unctad.org/RMT>

MARINE
BENCHMARK

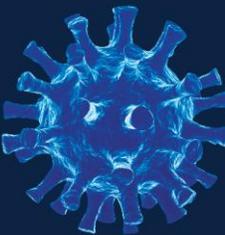


UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

UNCTAD

REVIEW
OF MARITIME
TRANSPORT

2020



Source: UNCTAD, based on Marine Benchmark.

<http://unctad.org/RMT>

MARINE
BENCHMARK

Impact Assessment

In order to agree on the “short term measure”, IMO members decided that they require a comprehensive “impact assessment”

UNCTAD undertook the comprehensive assessment for

- All ships (2019)
- All ships’ journeys (2019)
- All countries / economies
 - Impact on logistics costs (230 territories)
 - Impact on trade (184 economies)
 - Impact on GDP (184 economies)

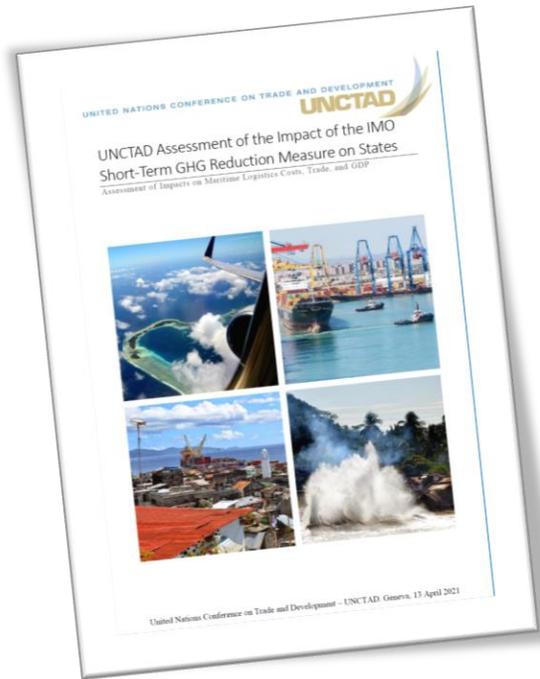


Figure 1. UNCTAD's methodological approach to Task 3

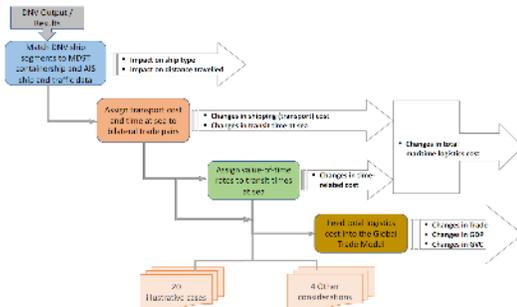




Figure 6: Containerized freight rates, Shanghai – Santos, HIGH-GHG reduction scenario for Brazilian imports, 2009 -2021

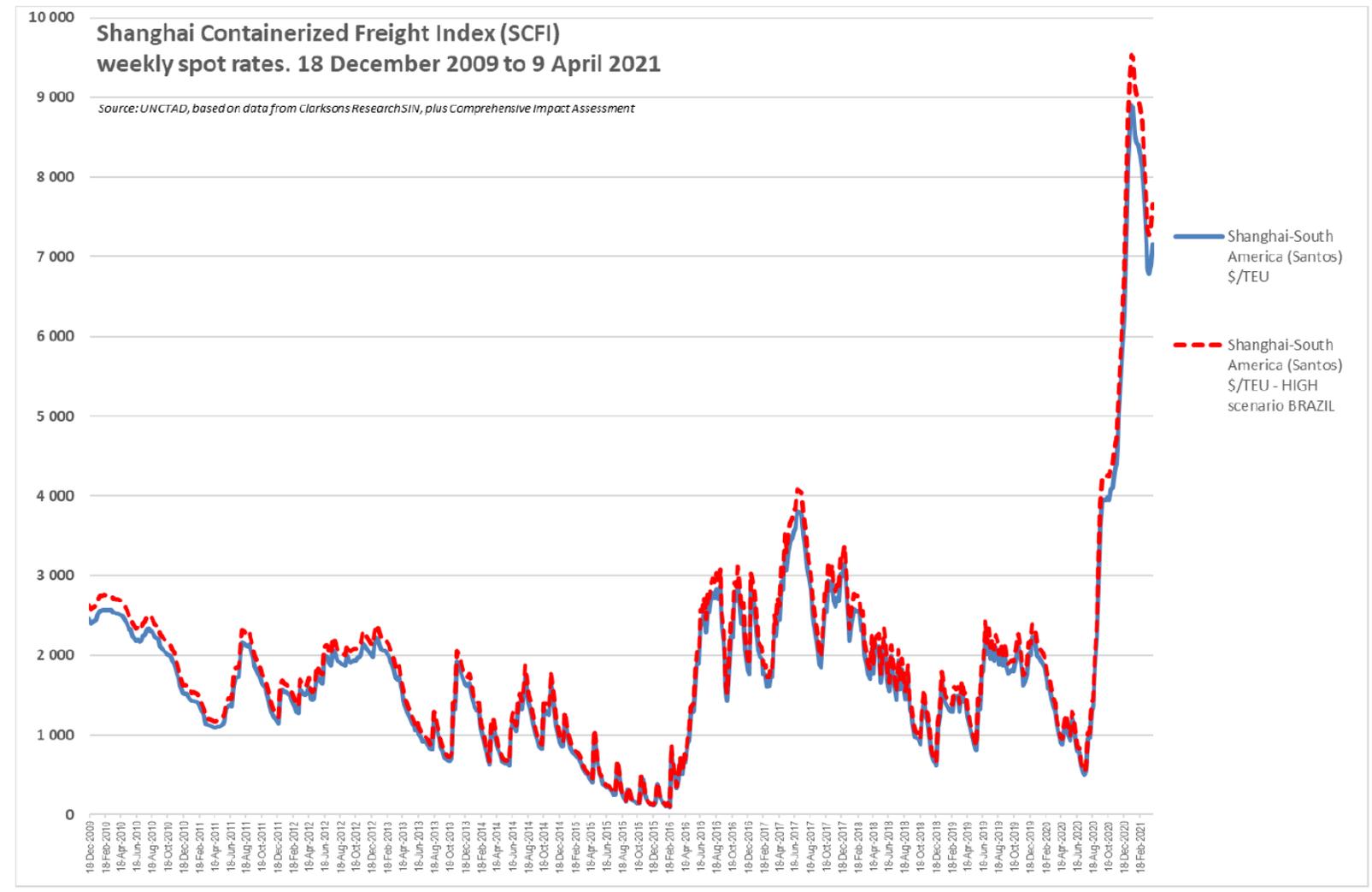




Figure 8: Map with simulated impact on decline in trade (imports plus exports), compared to the 2030 baseline
Current Regulations scenario, HIGH-GHG scenario

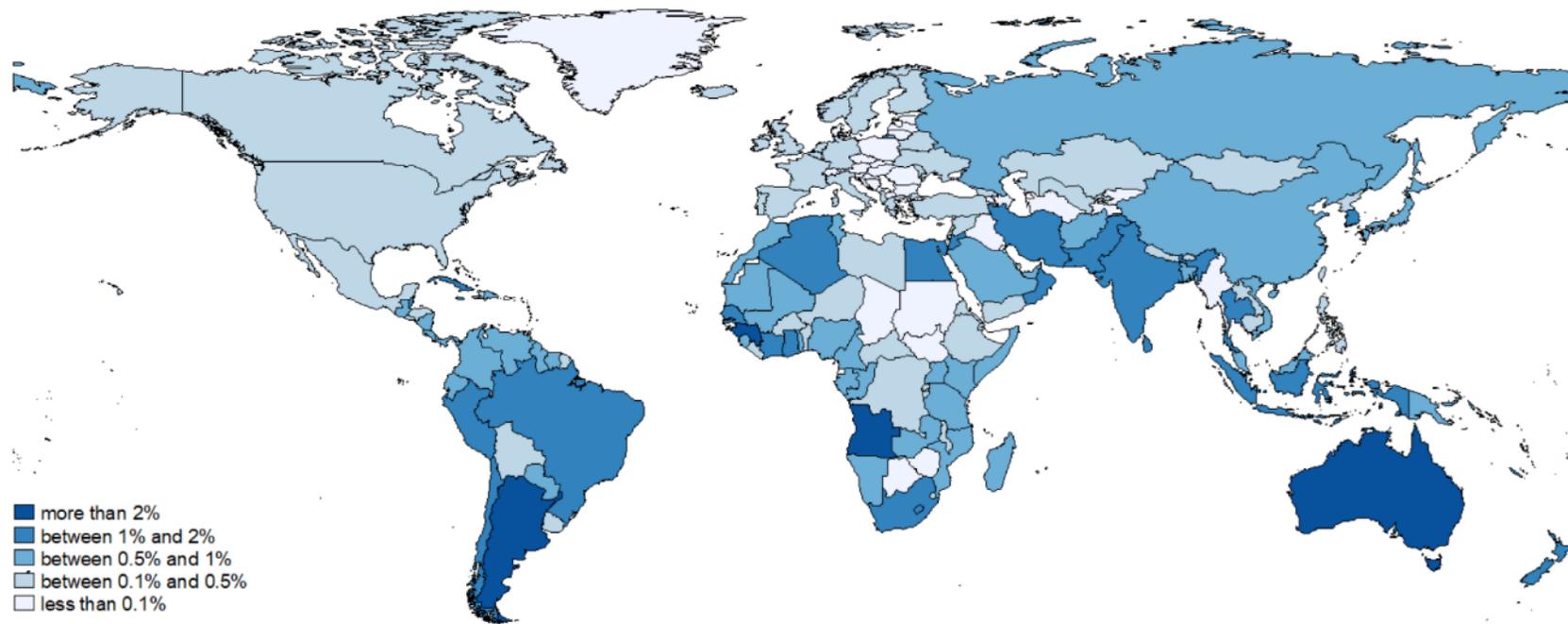
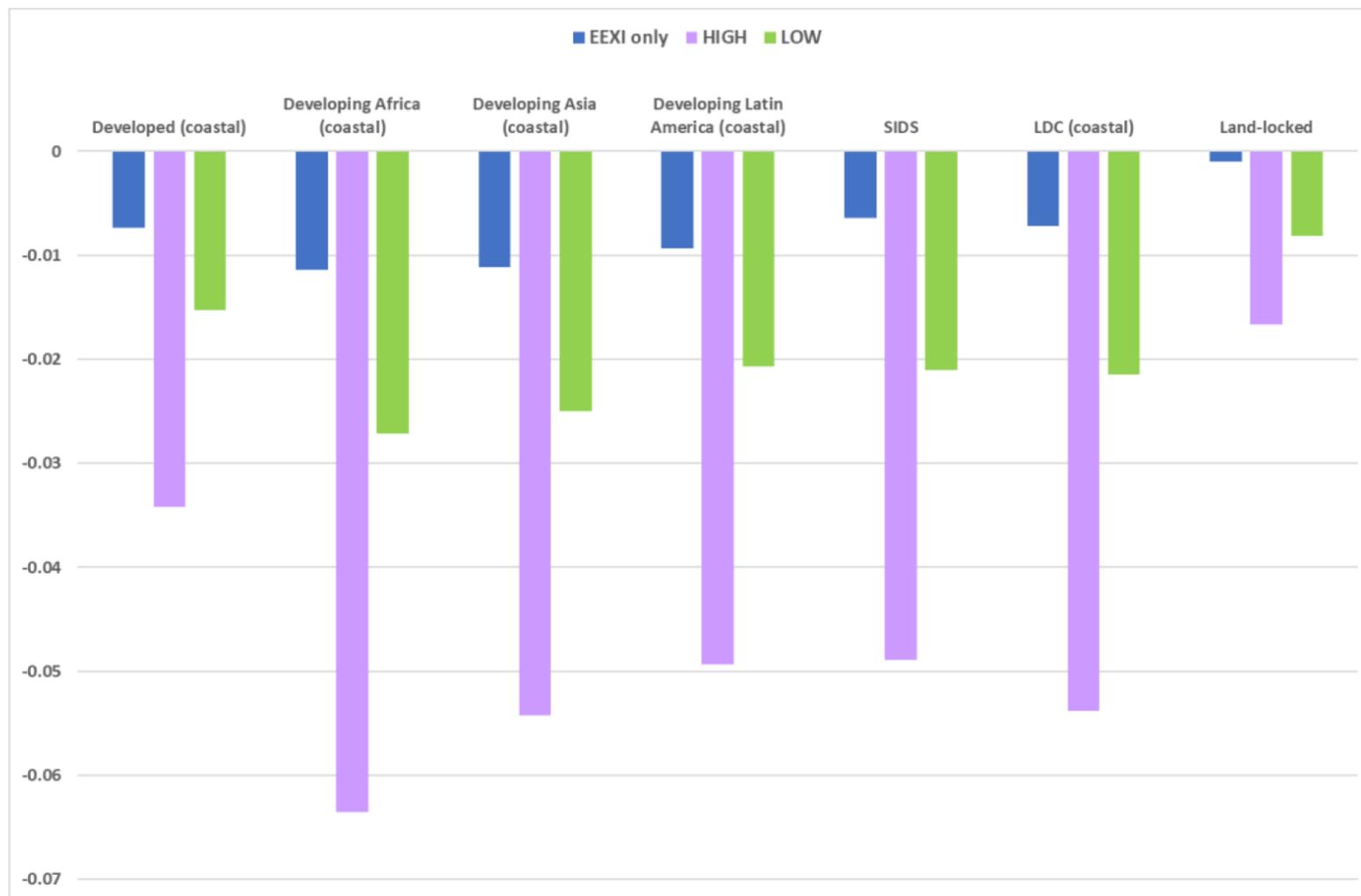




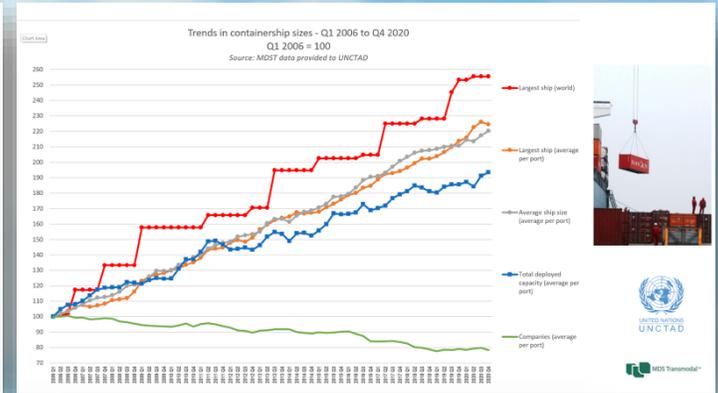
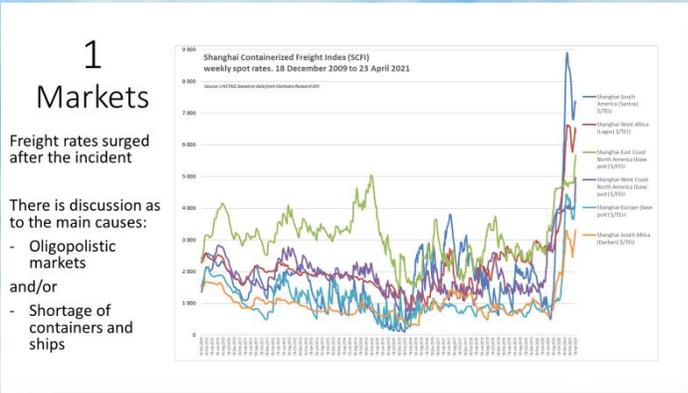
Figure 10: Simulated percentage change in income (GDP), by country grouping, compared to 2030 baseline scenario



1. Markets/ consolidation in liner shipping

2. Technologies

3. Decarbonization of shipping



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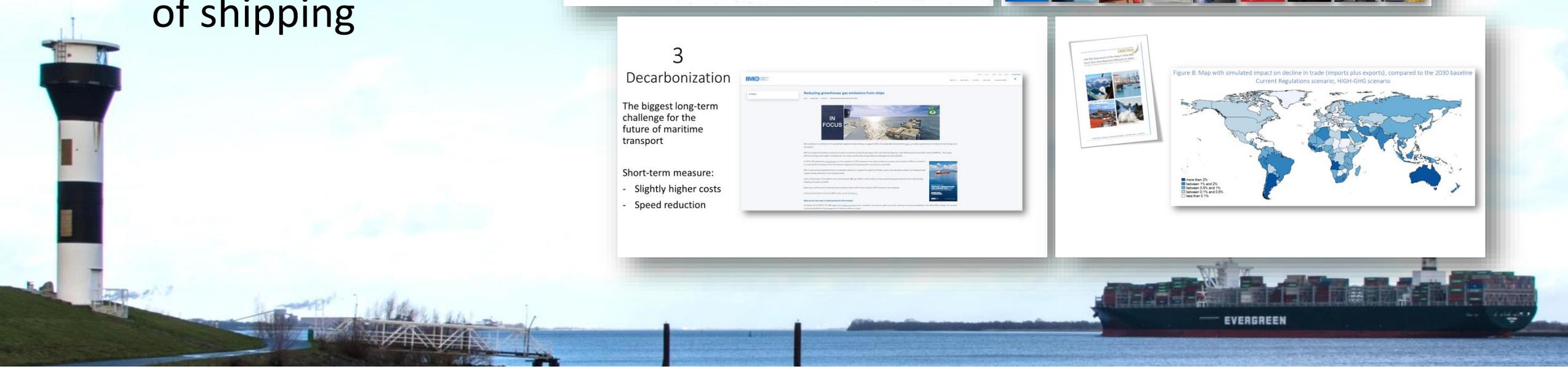
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3 Decarbonization

The biggest long-term challenge for the future of maritime transport

Short-term measure:

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