



# Ocean Carrier Issues and Perspectives

Shifting International Trade Routes, January 23<sup>rd</sup>



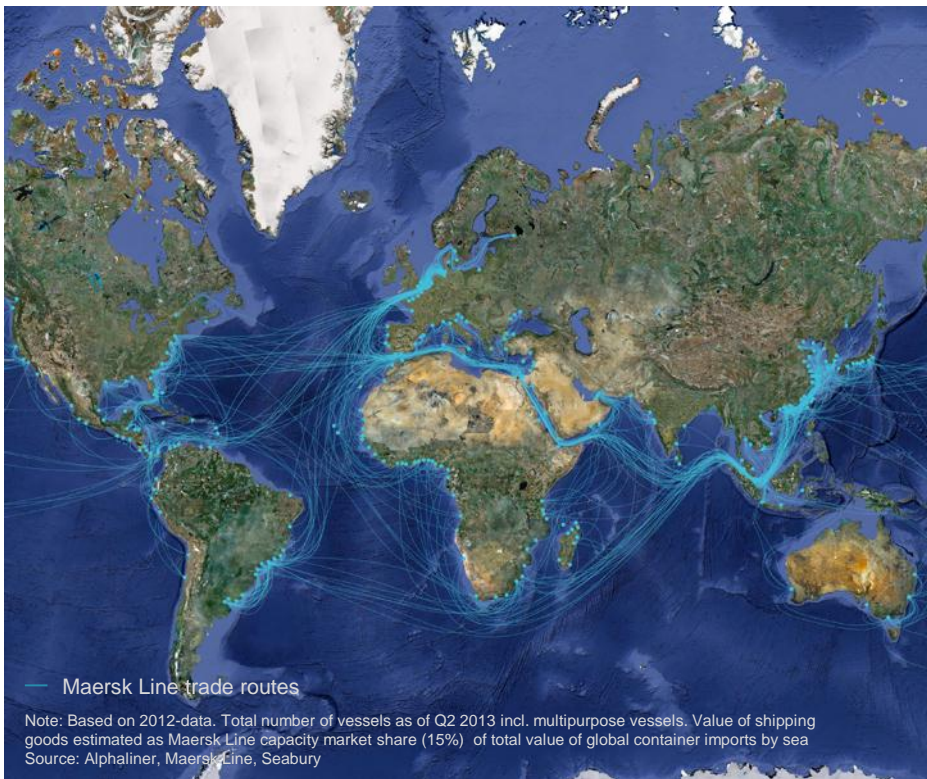
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# Introduction

**Dean Rodin**

Managing Director – Maersk Line Caribbean Sea Cluster

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# Maersk Line at a glance

- **596** vessels with a capacity of 2.6m TEU transporting **8.5m** FFE generating a total revenue of USD **27bn** in 2012
- Enabling global growth with a total value of goods transported estimated at USD **650bn** in 2012
- **31,000** employees (incl. 6,000 sea farers) in **362** office locations globally, serving **67,000** customers world wide

# Liner Shipping is today a Commoditized Industry and Low Cost is the Key to Success

## Our key hub ports to support North-South trades



- Strategic hubs
- Spine of network
- Catchment area

\* Source: Containerization International Top 100 ports 2013

## North-South

Our asset designs and capabilities are tailored to trade requirements

### Key capabilities

- Cargo handling in 2 top 5 ports in the region\*
- Cargo center responsible for 13% of our global volumes
- Connectivity between Latin America and Asia, North America, Europe and Oceania
- The ability to connect two oceans with waterways (Panama Canal) or rail (Panama Railway)

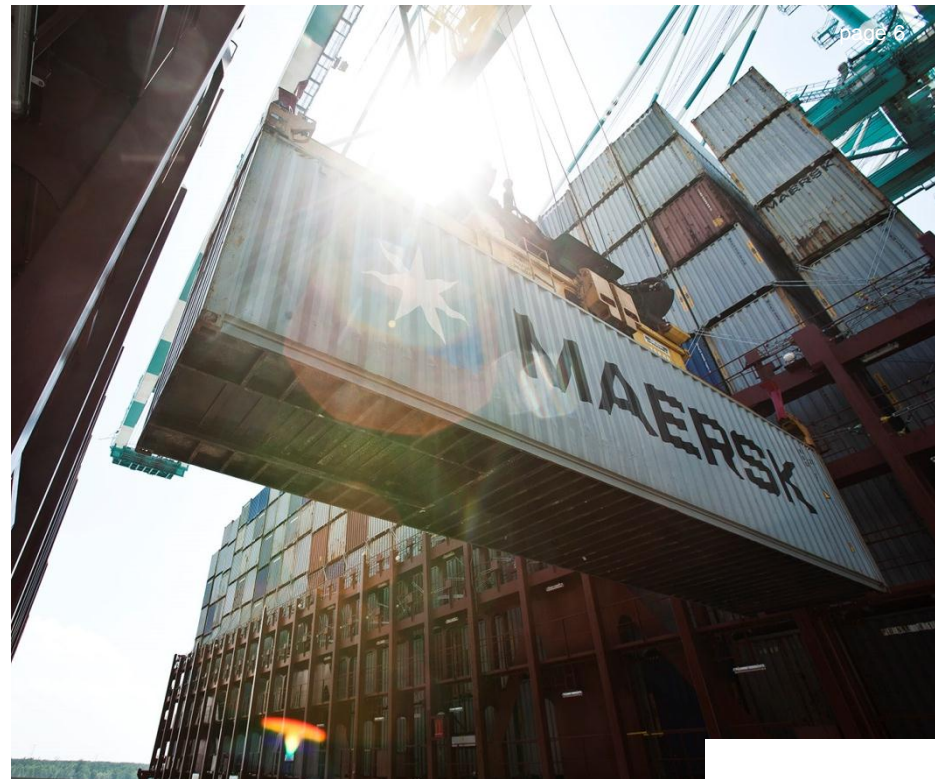
# Network Optimization is a game changer

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## Growing with the market

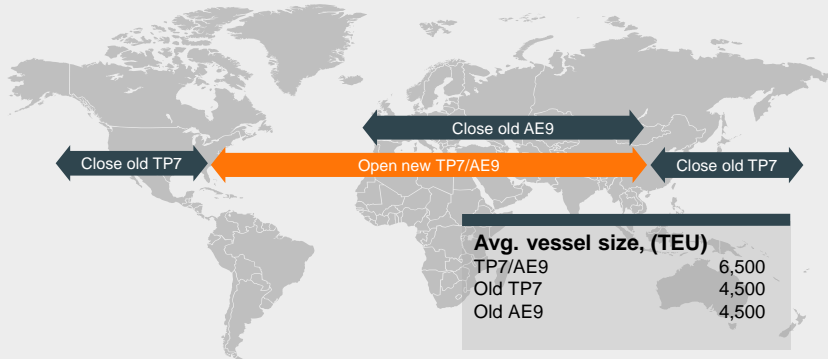
- Maersk Line adjusts its network and deployment regularly to ensure cost and environmental efficiency
- Effects on deployment changes are felt across the Maersk Line network
- These changes have to make sense from a financial, environmental and commercial perspective

Source: Maersk Line



# Network Optimization at the heart of what we do

## Example: US East Coast through Suez



**WHAT:** Close down old AE9 service and upgrade TP7 service to sail through Suez from Asia to the US East Coast

**IMPACT:** Capacity reductions, improved utilization and improved slot cost (redelivery of chartered Panamax vessels)

Source: Maersk Line

## Growing with the market

- Maersk Line adjusts its network and deployment regularly to ensure cost and environmental efficiency
- Increase in VSA's and slot agreements as opposed to own tonnage for seasonal fluctuations

But, incentive to invest in new and larger vessels also leads to long term trend of declining rates

**Incentive to invest in new assets ...**

**-25%**

*Slot cost reduction when doubling vessel size*

**and declining and volatile rates**

**1-2% reduction**

*Nominal rates 2000-2012 (CAGR)*



**leads to increased vessel ordering ....**

**5%**

*Vessel capacity ordered in H1 2013 (% of fleet)*

**which leads to overcapacity ...**

**6% vs. 2-3%**

*Nominal capacity growth vs. demand growth (2013E)*

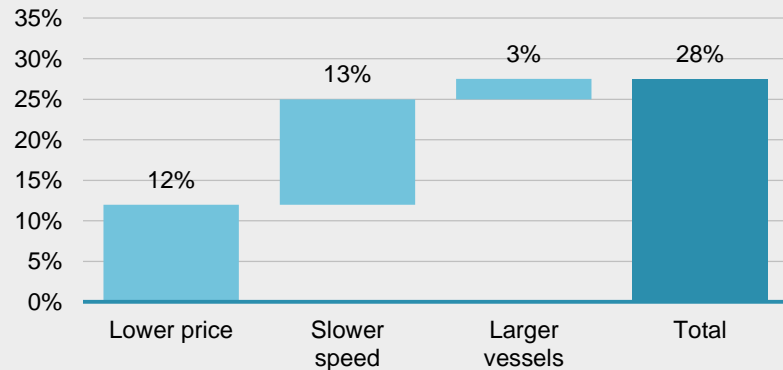
Note: Nominal capacity growth is deliveries less scrappings  
Source: Alphaliner, Maersk Line



Therefore liners also use other initiatives to rationalize and optimize, e.g. slow steaming

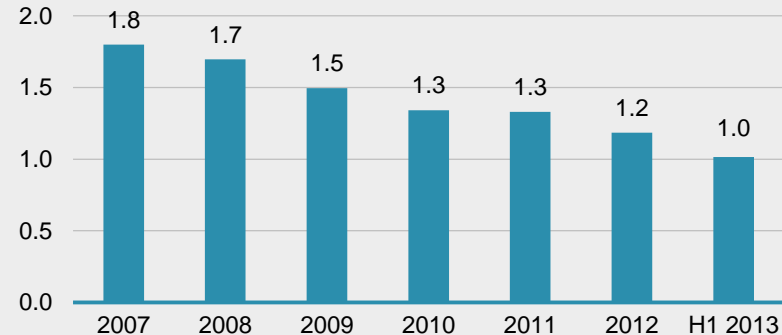
### Bunker cost improvement H1 2013 vs. H1 2012

Bunker cost savings, (%)



### Continuous improvements in bunker consumption

Bunker consumption per FFE, (MT/FFE)



Source: Maersk Line

## East-West

In addition, liners form alliances: The P3 Alliance – subject to regulatory approval – will deliver benefits for us and our customers

### Benefits for the customers on East-West

#### More frequent departures reaching more ports

- More direct port pairs
- More weekly sailings
- Improved service stability

#### Reduced environmental emissions

- Shorter strings used for bunker savings
- Lower speed

### Benefits for us on East-West

#### LOWER SLOT COST

**+4%**  
Deployed capacity

#### Better large vessel deployment

- Better utilisation
- Increased average vessel size

**+6%**  
Weekly capacity

**-8%**  
Network cost



Note: Benefits measured as 2015 full year change compared to 2013 budget.  
Source: Maersk Line

The Canal Expansion enables larger vessels and economies of scale, creating value both for the region and the canal users

Vessels of up to  
**+10,000**  
containers (TEU) vs  
Panamax vessels



Up to 70%  
improvement in  
berth productivity

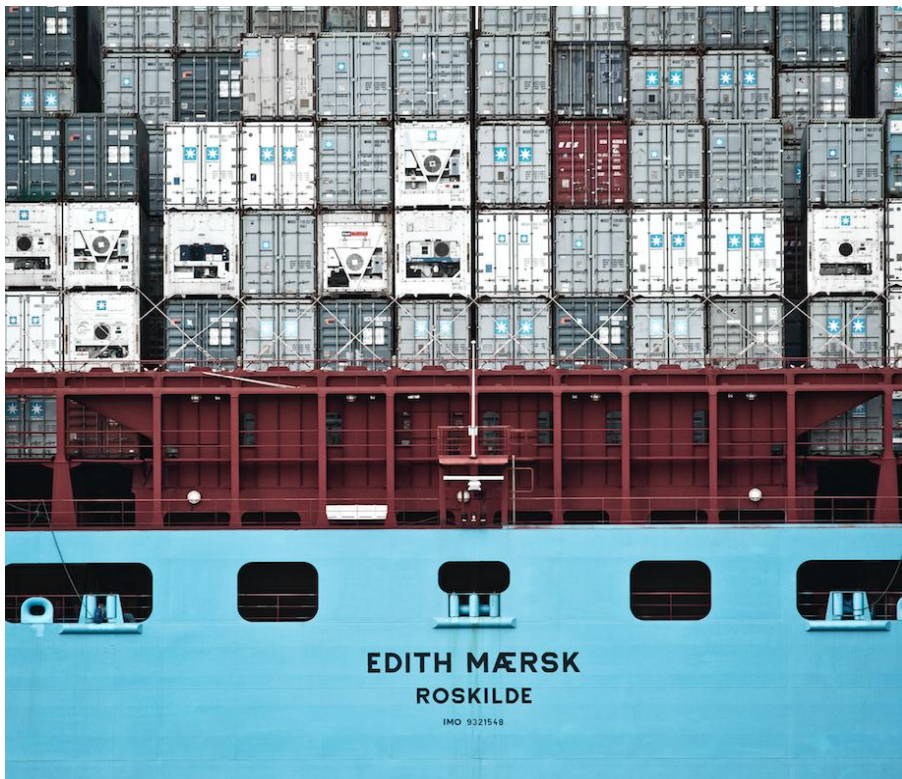
40%  
higher fuel  
efficiency

40%  
less CO2  
emissions per  
TEU per Km

To encourage larger vessels get deployed through the canal, conditions must support same

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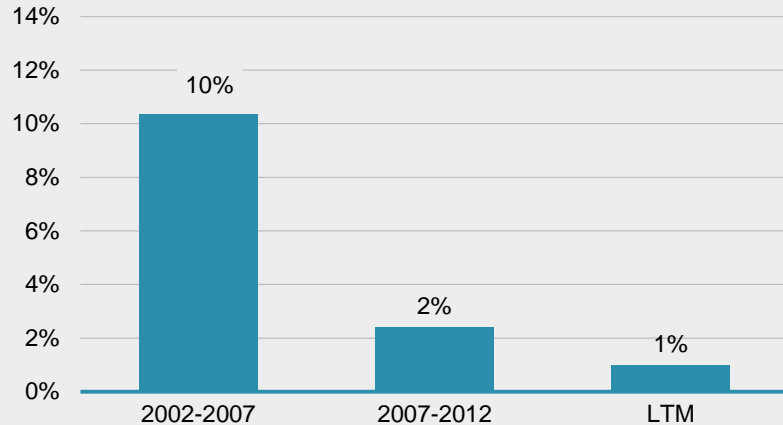
- Infrastructure
- Cost competitiveness
- Demand growth



# Supply growth has consistently outpaced demand – with no demand growth, network changes will not be justifiable

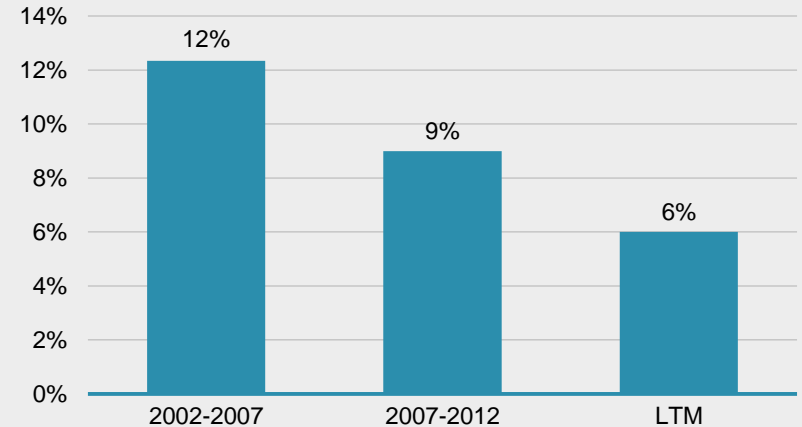
## Industry demand growth

Growth p.a., (%)



## Industry nominal capacity growth

Growth p.a., (%)



Note: Nominal capacity growth is deliveries less scrappings. LTM is Q3 2012 - Q2 2013

Source: Maersk Line, Alphaliner

Thus, there are different factors that will influence the vessel deployments after the widening of the Canal.

### After Canal expansion

- Review cost picture for optimum deployment between Asia and USWC – East Coast
- Impact of Canal tolls, efficiencies of USEC – US Gulf terminals for handling larger vessels



### 2014- 2015

- P3 (pending regulator approval) will deploy one service through Panama Canal and three others through Suez Canal



### Today

- Continue routing Asia - USEC cargo through Suez canal

Thank you

