CARRIER CONSOLIDATIONS AND ALLIANCES
AND THE IMPACT ON PORTS
IN THE WESTERN HEMISPHERE

Cathie J. Vick
Chief Public Affairs Officer
The Port of Virginia
## TOP CARRIERS

<table>
<thead>
<tr>
<th>Rank</th>
<th>Operator</th>
<th>Teu</th>
<th>Share</th>
<th>Existing fleet</th>
<th>Orderbook</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>APM-Maersk</td>
<td>4,038,530</td>
<td>17.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Mediterranean Shg Co</td>
<td>3,251,999</td>
<td>14.4%</td>
<td></td>
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</tr>
<tr>
<td>3</td>
<td>COSCO Group</td>
<td>2,796,293</td>
<td>12.4%</td>
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</tr>
<tr>
<td>4</td>
<td>CMA CGM Group</td>
<td>2,643,724</td>
<td>11.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Hapag-Lloyd</td>
<td>1,595,408</td>
<td>7.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>ONE (Ocean Network Express)</td>
<td>1,542,223</td>
<td>6.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Evergreen Line</td>
<td>1,197,437</td>
<td>5.3%</td>
<td></td>
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</tr>
<tr>
<td>8</td>
<td>Yang Ming Marine Transport Corp.</td>
<td>629,643</td>
<td>2.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>PIL (Pacific Int. Line)</td>
<td>416,746</td>
<td>1.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Hyundai M.M.</td>
<td>414,073</td>
<td>1.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Zim</td>
<td>381,652</td>
<td>1.7%</td>
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</tr>
</tbody>
</table>
US EAST COAST VESSEL SIZES

A 69% increase in size in under five years.

- 2014: 8,500 TEUs
- 2015: 9,000 TEUs
- 2016: 10,500 TEUs
- 2017 (May): 13,098 TEUs
- 2017 (July): 13,300 TEUs
- 2017 (Aug): 14,400 TEUs
TRENDS

• Deployment of larger container ships as carriers seek economies of scale
• Formation of carrier alliances in order to fill the large ships
• Decrease in port vessel calls while handling increased cargo

MOL Triumph, 20,150 TEUs
ALLIANCES

These alliances control nearly 90% of container volume on primary world trade lanes.
THE PORT OF VIRGINIA

Vessel calls are down 5.1% compared to FY 2017

Volumes are up 2.4% over FY 2017

1.6 million containers for Fiscal Year 2018
COMMERCIAL IMPACTS

• Higher concentration of any port’s freight is contained within these alliances
• Negotiating with an alliance vs. carrier
  – More freight at stake to either gain or lose
• Smaller ports impacted by alliance routing larger ships to larger ports that have capabilities to handle them
PORT OPERATIONAL CHALLENGES

- Berth windows
- Crane productivity
- Terminal congestion
- Rail delays
- Chassis shortages
- Labor utilization
PORT INVESTMENT

Bigger ships create the need for:
• Wider and deeper channels
• Larger cranes
• Longer berths
• Increased yard capacity
• Good intermodal connections
• Warehousing and distribution centers
New York/New Jersey - 50’ deepening completed September 2016
- $2.1B total cost (roughly 54% federal/46% local cost share)
- Bayonne Bridge lift from 151’ to 215’ completed June 2017
- $1.3B total cost

Baltimore - Constructed to 50’
- LRR underway to consider widening

Charleston - 52’ authorized in WIIN 2016
- $494M total cost ($224M federal/$269M local)
- SC appropriated $300M in 2012
- Approvals complete. $17.5M included in USACE FY17 and $49M in FY18 Work Plans for construction.
- Construction began March 2018

Savannah - 47’ authorized in WRRDA 2014
- $973M total cost (roughly 60% federal /40% state)
- GA appropriated $266M through bonds
- Outer harbor construction began in 2015 and scheduled through 2018

Miami - 50’ deepening complete in September 2015
- $220M total cost ($112M FL/$108 Miami-Dade)
BETTER CONNECTIVITY
DEVELOP SHORT HAUL STRATEGIES
FREIGHT MOVEMENT ALTERNATIVES
IMPROVED TECHNOLOGIES TO ACCOMMODATE LARGER DISCHARGES

- Automation
- Coordination
- Flexibility

Credit: NAVIS
Thank you