Liner Shipping and Public Policy

Anne Marie Kappel, Vice President

Marine Terminal Management Training Program – Panel on Container Terminal Planning and Operations

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About the Council

• Coordinated voice for international liner shipping on public policy:
  – Economic regulation
  – Port and maritime security
  – Environmental regulation
  – Maritime transportation infrastructure
  – Cargo Safety
• Formed in 2000
• Headquartered in Washington, D.C.
• Opened Brussels office in 2007
• 29 member companies
  – 90% of global liner shipping capacity
  – 99% of US international container trade

www.worldshipping.org
Council Members
• National Maritime Security Advisory Committee (NMSAC)  
  – Chris Koch, Chairman from creation in 2004 to 2009
• Commercial Operations Advisory Committee (COAC)
• Customs Electronic Systems Action Council (CESAC)
• Marine Transportation National Advisory Council (MTSNAC)
• Freight Stakeholders’ Coalition
• European Commission’s Trade Contact Group
• Private Sector Consultative Group of the World Customs Organization (WCO)
• Consultative status at International Maritime Organization (IMO)
• Industry expert at the International Standards Organization (ISO)
Very capital intensive industry

- Cost of new ship ~$70 to $100+ million
  - Cost of one new service could range from $500 million to $1 billion
- Cost of new container ~$2500
  - Replacement cost of container box fleet over $100 billion.
- Returns typically at 10% or less
All Carriers in the Red

Summary

During the 1Q12, all carriers reported negative operating margins with CMA CGM, HPL, HJN, NYK, CSAV, CSCL and YML showing deterioration of margins compared to 4Q11.

<table>
<thead>
<tr>
<th>Liner segment</th>
<th>1Q12 Revenue</th>
<th>Op profit</th>
<th>Op margin</th>
<th>4Q11 Op margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>OOCL</td>
<td>1,425 USD’m</td>
<td>(49)</td>
<td>(3.5%)</td>
<td>(3.5%)</td>
</tr>
<tr>
<td>CMA CGM#</td>
<td>3,607 USD’m</td>
<td>(143)</td>
<td>(4.0%)</td>
<td>(2.0%)</td>
</tr>
<tr>
<td>MOL</td>
<td>1,638 USD’m</td>
<td>(91)</td>
<td>(5.6%)</td>
<td>(9.3%)</td>
</tr>
<tr>
<td>HPL</td>
<td>2,136 USD’m</td>
<td>(137)</td>
<td>(6.4%)</td>
<td>(1.1%)</td>
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<tr>
<td>MSK</td>
<td>6,312 USD’m</td>
<td>(571)</td>
<td>(9.0%)</td>
<td>(9.9%)</td>
</tr>
<tr>
<td>K Line</td>
<td>1,159 USD’m</td>
<td>(127)</td>
<td>(10.9%)</td>
<td>(14.4%)</td>
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<tr>
<td>EMC</td>
<td>882 USD’m</td>
<td>(98)</td>
<td>(11.1%)</td>
<td>(12.0%)</td>
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<tr>
<td>COSCO#</td>
<td>2,491 USD’m</td>
<td>(286)</td>
<td>(11.5%)</td>
<td>(18.2%)</td>
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<tr>
<td>APL</td>
<td>2,010 USD’m</td>
<td>(244)</td>
<td>(12.1%)</td>
<td>(15.6%)</td>
</tr>
<tr>
<td>HUN</td>
<td>1,597 USD’m</td>
<td>(211)</td>
<td>(13.2%)</td>
<td>(9.3%)</td>
</tr>
<tr>
<td>ZIM</td>
<td>865 USD’m</td>
<td>(116)</td>
<td>(13.4%)</td>
<td>(14.0%)</td>
</tr>
<tr>
<td>HMM</td>
<td>1,099 USD’m</td>
<td>(153)</td>
<td>(13.9%)</td>
<td>(13.8%)</td>
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<tr>
<td>NYK</td>
<td>1,238 USD’m</td>
<td>(176)</td>
<td>(14.2%)</td>
<td>(13.5%)</td>
</tr>
<tr>
<td>CSAV#</td>
<td>832 USD’m</td>
<td>(175)</td>
<td>(21.1%)</td>
<td>(17.9%)</td>
</tr>
<tr>
<td>CSCL#</td>
<td>1,025 USD’m</td>
<td>(254)</td>
<td>(24.8%)</td>
<td>(12.6%)</td>
</tr>
<tr>
<td>YML#</td>
<td>880 USD’m</td>
<td>(221)</td>
<td>(25.2%)</td>
<td>(16.2%)</td>
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<tr>
<td>Total excl. OOCL</td>
<td>27,771 USD’m</td>
<td>(3,003)</td>
<td>(10.8%)</td>
<td>(10.7%)</td>
</tr>
</tbody>
</table>
Global Liner Shipping

- ~500 regularly scheduled services
- 5975 ships active on liner trades, 82% of ships and 97% of capacity fully cellular
  - 10% of global shipping fleet
- Transport more than 60% of value of seaborne trade
  - More than $4 trillion worth of goods annually
  - 162 million TEU in 2011 using 31.25 million containers
- Annual economic impact
  - $440 Billion
  - 13.5 million jobs

Value of World Seaborne Trade (US$)

- 52% Container
- 22% Tanker
- 20% General Cargo
- 6% Dry Bulk

Source: Lloyd’s Maritime Intelligence Unit (LMIU)
Ships Keep Getting Bigger - And Better -

- 50% of new capacity on order is comprised of 10,000+ TEU ships
  - Today those ships comprise ~ 11% of capacity
U.S. Container Trade

- WSC members transport more than half of the $1.2 trillion in U.S. ocean-borne commerce.
  - ~120 regularly scheduled services
  - ~880 ships active on those services
  - Average ship size
    - ~5138 TEU
- 30 million TEU in 2011
  - ~19.5 million containers
- Annual economic impact
  - ~$38 billion in wages
  - Over 1 million jobs
Key Public Policy Focus Areas

- Economic Regulation
- Maritime Transportation Infrastructure
- Safety
- Environment
- Maritime Security
Maritime Transportation Infrastructure

- Dredging and harbor maintenance
- Port/terminal development
- Egress and access to ports
- Highway connections
- Rail service
- Transloading
Safety - Container Weighing
Environment

- **Vessel air emissions**
  - Stricter international standards for NOx, SOx & PM
    - Additional local standards (CA)
  - **Carbon reduction**
    - Design standards for new-builds
    - Reduced fuel consumption
    - Reduction standards for existing fleet

- **Vessel discharges**
  - Ballast water regulation

- **Invasive species**

- **Marine life and habitats**
  - Right Whales
  - Coral Reefs

- **Recycling, reuse and waste management**
Maritime Security

• Cargo and the supply chain
  – U.S.
  – Europe
  – International
• Vessels and Ports
• Personnel
• Piracy
Cargo and Supply Chain Security

- Advance cargo shipment data
  - European “24-hour rule”
  - CBP’s “10 + 2” regulation

- Secure supply chain partnerships
  - European AEO program
  - U.S. C-TPAT
  - U.S. CSI
  - WCO SAFE Framework

- Container Tracking Devices
- 100 percent scanning in U.S.
- AES and ACE roll-outs in U.S.
- Modernized Customs Code in Europe
Vessel and Port Security

- International Ship and Port Facility Security (ISPS) Code
- International Labor Organization (ILO) Code of Practice on Security in Ports
- U.S. Maritime Transportation Security Act (MTSA) of 2002
- Foreign Port Security Assessments
- U.S. Notice of Arrival (NOA) Requirements
- Long-Range Identification and Tracking (LRIT)
- Automatic Identification System (AIS)
Personnel Security

• Identification
  – International Seafarer's Identity Documents Convention
  – U.S. Transportation Worker Identification Credentials (TWIC)

• Documentation for Shore Access
  – U.S. Crew Visas

• Advance Crew Data Filing Requirements
  – U.S. Advance Passenger Identification System (APIS)
  – U.S. Visitor and Immigrant State Indicator Technology
Thank you.
Questions?

For more information visit:

www.worldshipping.org