Alliances take Center Stage

Alan Murphy
COO & Partner
SeaIntel Maritime Analysis

October 16th, 2013
TPM Asia 2013

SeaIntel

Container Shippping Analysts

- Founded January 1st, 2011
- Wholly owned by Lars Jensen (CEO) and Alan Murphy (COO)
- 12 Analysts & Consultants in Copenhagen, Hong Kong & Brussels
- Management Team with combined 40 years of experience in Container Shipping

Our Focus:

- Integrity
- Methodology
- Assumptions
- Data Quality

Major Milestones:

- 400 Research & Analysis articles published since March 2011
- 600+ qutations in Industry Press (JoC, Lloyd's List, etc.)
- Official Knowledge Partner of the Global Institute of Logistics
- Data Partnership with INTTRA
- World's most comprehensive database on Reliability
- Curriculum provider for the World Maritime University

Our Management Team

- **Lars Jensen, Ph.D., CEO & Partner - Copenhagen**
  - Director of Market Intelligence, Maersk Line and TCC
  - Director of eCommerce, Maersk Line
  - CEO Youship

- **Alan Murphy, COO & Partner – Copenhagen**
  - CEO, ARM Consulting providing systems design for market intelligence
  - Senior Analyst, Maersk Line market intelligence
  - Research Assistant, Copenhagen Business School dept of Finance

- **Thorsten Boeck, Senior Consultant – Hong Kong**
  - CEO & Founder, OnOn Shipping
  - Shipping Industry Consultant – Aalborg University Copenhagen
  - 10 years with Maersk Line in Process Excellence, Planning & Efficiency

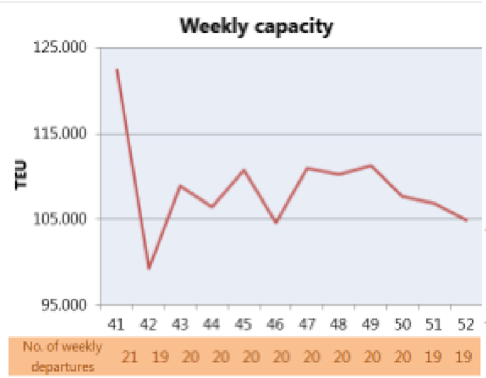
SeaIntel Trade-lane Capacity Outlook Report

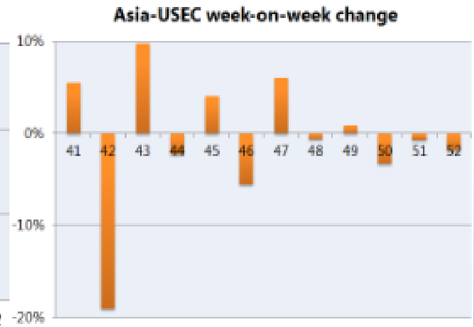
Asia-USEC

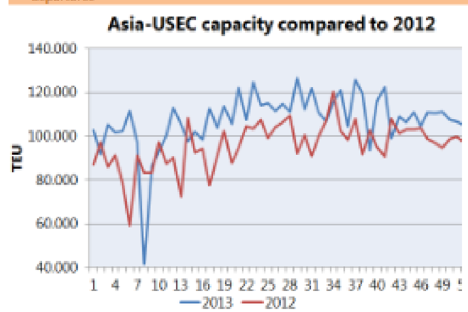
11-10-13: COSCO, US Lines and CMA CGM have announced a 400 USD/FFE rate increase from October 15

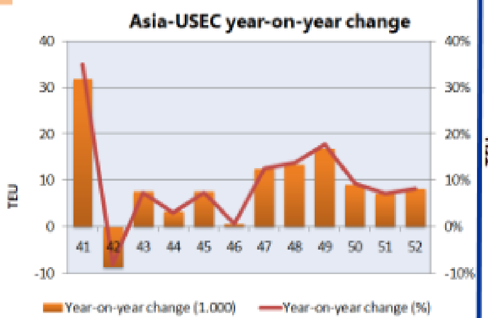
1-10-13: COSCO have announced that they this week have taken delivery of the 4,253 TEU COSCO Aqaba. The COSCO Aqaba will be phased into CKYH's AWT-service

25-9-13: CKYH have announced that they will suspend their AW3/AWY-service, in order to adjust capacity to the slack season. A number of the ports covered by the AW3/AWY-service will be added to the AW7/AWS-service.









Weekly capacity in numbers (1.000 TEU)

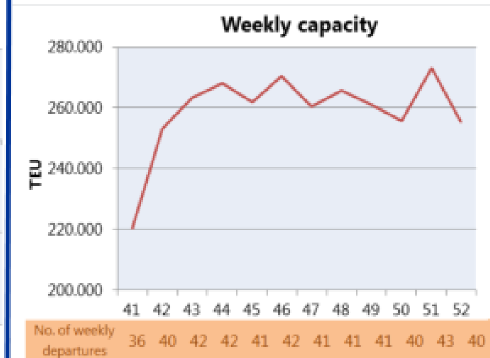
Week	41	42	43	44	45	46	47	48	49	50	51	52
Total weekly capacity	122,5	99,2	108,9	106,4	110,8	104,6	110,9	110,3	111,3	107,6	106,9	104,9
Week-on-week change (%)	5,5%	-19,0%	9,8%	-2,3%	4,1%	-5,6%	6,0%	-0,6%	0,9%	-3,3%	-0,7%	-1,8%
Year-on-year change (%)	35,0%	-8,1%	7,4%	3,1%	7,4%	0,7%	12,6%	13,8%	17,7%	9,2%	7,2%	8,3%
CKYH	19,4	18,2	18,8	18,1	19,5	18,4	19,8	18,6	18,6	19,0	14,3	18,2
G6	49,2	38,7	39,8	38,9	41,3	38,7	42,2	40,5	40,9	39,3	40,3	38,6
MSC	8,1	9,2	8,1	9,2	8,1	8,1	8,1	8,0	9,2	8,4	8,4	8,4
Maersk Line	10,9	4,2	11,0	9,7	11,5	9,7	11,0	11,1	11,2	9,7	12,7	12,6
CMA CGM	9,3	6,9	9,2	9,3	9,2	8,6	8,5	9,3	9,4	9,3	9,4	9,3
Evergreen	12,7	8,4	8,4	8,4	8,4	8,5	8,4	9,3	8,4	8,4	8,4	9,3
Others	8,5	13,5	13,5	12,7	12,7	12,7	12,8	13,4	13,5	13,3	13,5	4,3

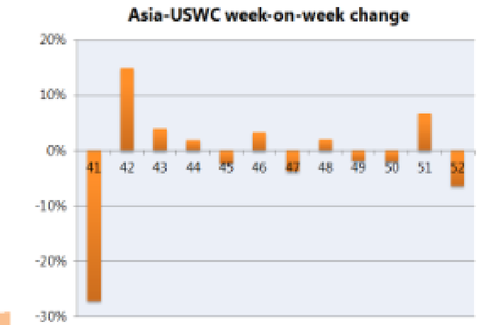
Asia-USWC

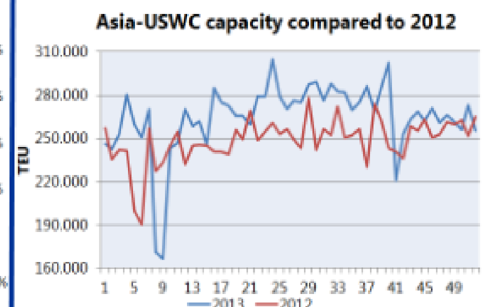
11-10-13: COSCO, US Lines and CMA CGM have announced a 400 USD/FFE rate increase from October 15

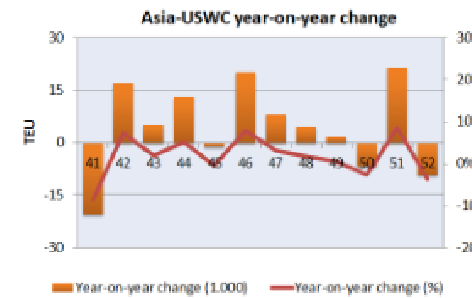
4-10-13: Hapag Lloyd has announced that the PAX-service will change terminal in New York

3-10-13: New World Alliance have announced that they will close the PS1-service, with the last vessel departing Asia in week 42





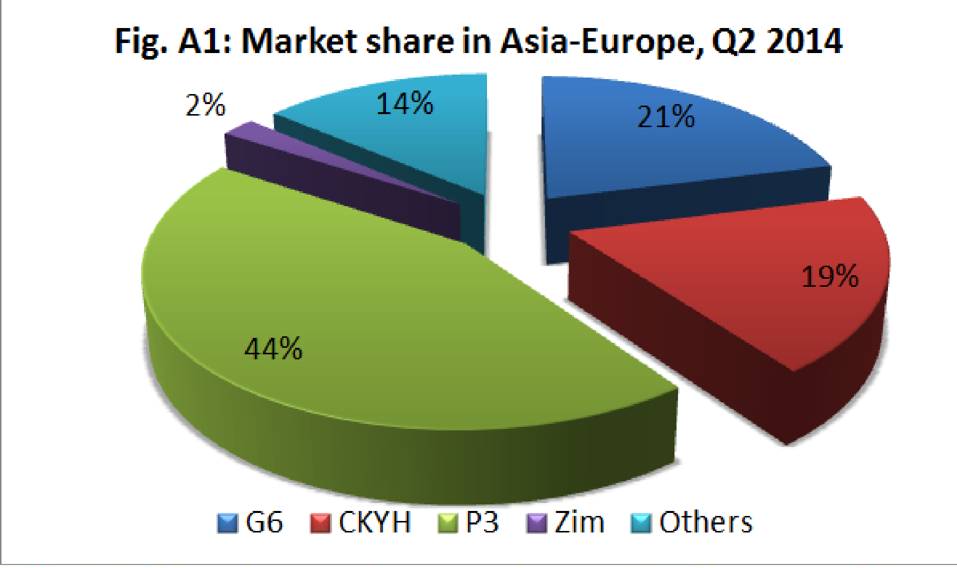


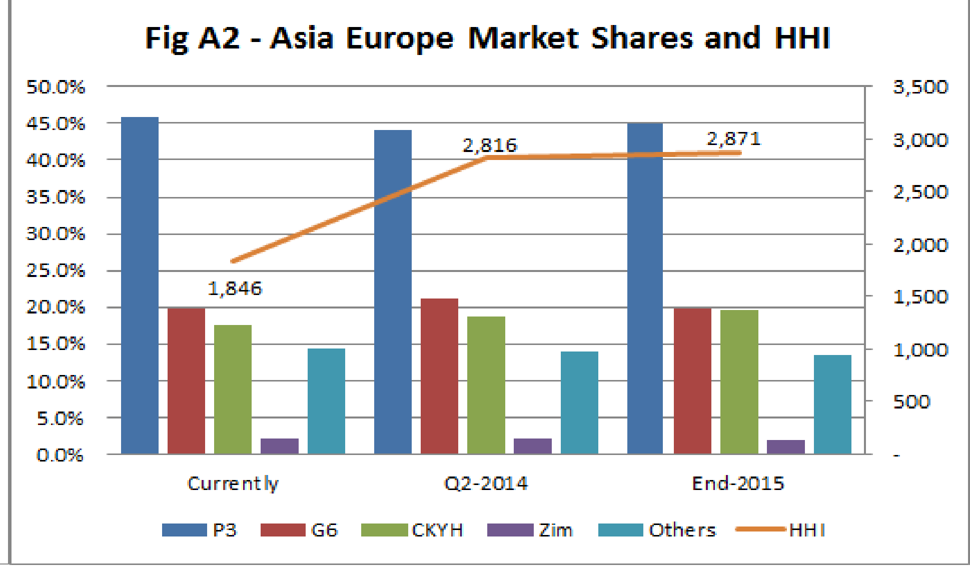


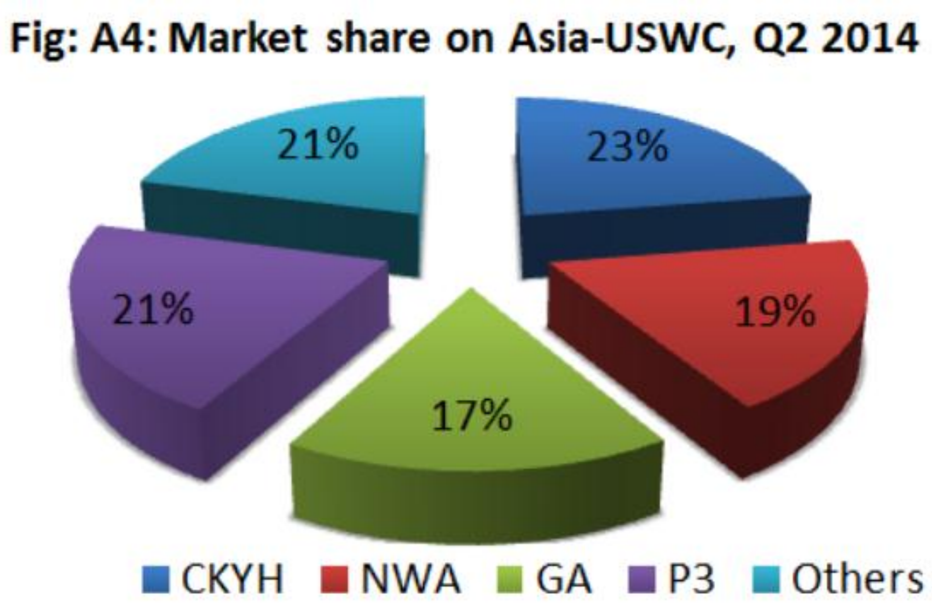
Weekly capacity in numbers (1.000 TEU)

Week	41	42	43	44	45	46	47	48	49	50	51	52
Total weekly capacity	220,2	253,0	263,3	268,1	261,9	270,6	260,4	265,8	261,0	255,7	273,0	255,4
Week-on-week change (%)	-27,2%	14,9%	4,1%	1,8%	-2,3%	3,3%	-3,8%	2,1%	-1,8%	-2,0%	6,8%	-6,5%
Year-on-year change (%)	-8,6%	7,2%	2,0%	5,2%	-0,4%	8,0%	3,1%	1,7%	0,6%	-2,6%	8,5%	-3,6%
CKYH	50,3	60,2	61,4	63,9	62,6	63,4	65,4	62,7	61,4	56,5	68,4	65,2
New World Alliance	45,5	53,9	46,1	46,6	47,8	45,1	47,2	47,6	47,0	46,4	46,3	48,0
Grand Alliance	40,4	39,9	46,8	46,8	46,2	48,5	46,4	46,9	45,2	46,5	47,0	46,3
Evergreen/CSCL/UASC	25,9	27,8	30,0	29,9	25,7	30,7	30,5	26,7	30,0	29,7	31,5	24,4
Maersk Line/CMA CGM/MSC	43,9	46,9	54,8	58,2	55,0	58,9	46,0	57,5	54,7	58,2	55,6	47,0
Others	12,2	20,3	17,9	14,4	18,0	19,8	18,6	20,3	16,4	14,4	17,8	20,4

Alliances - Consequences of the P3 Network





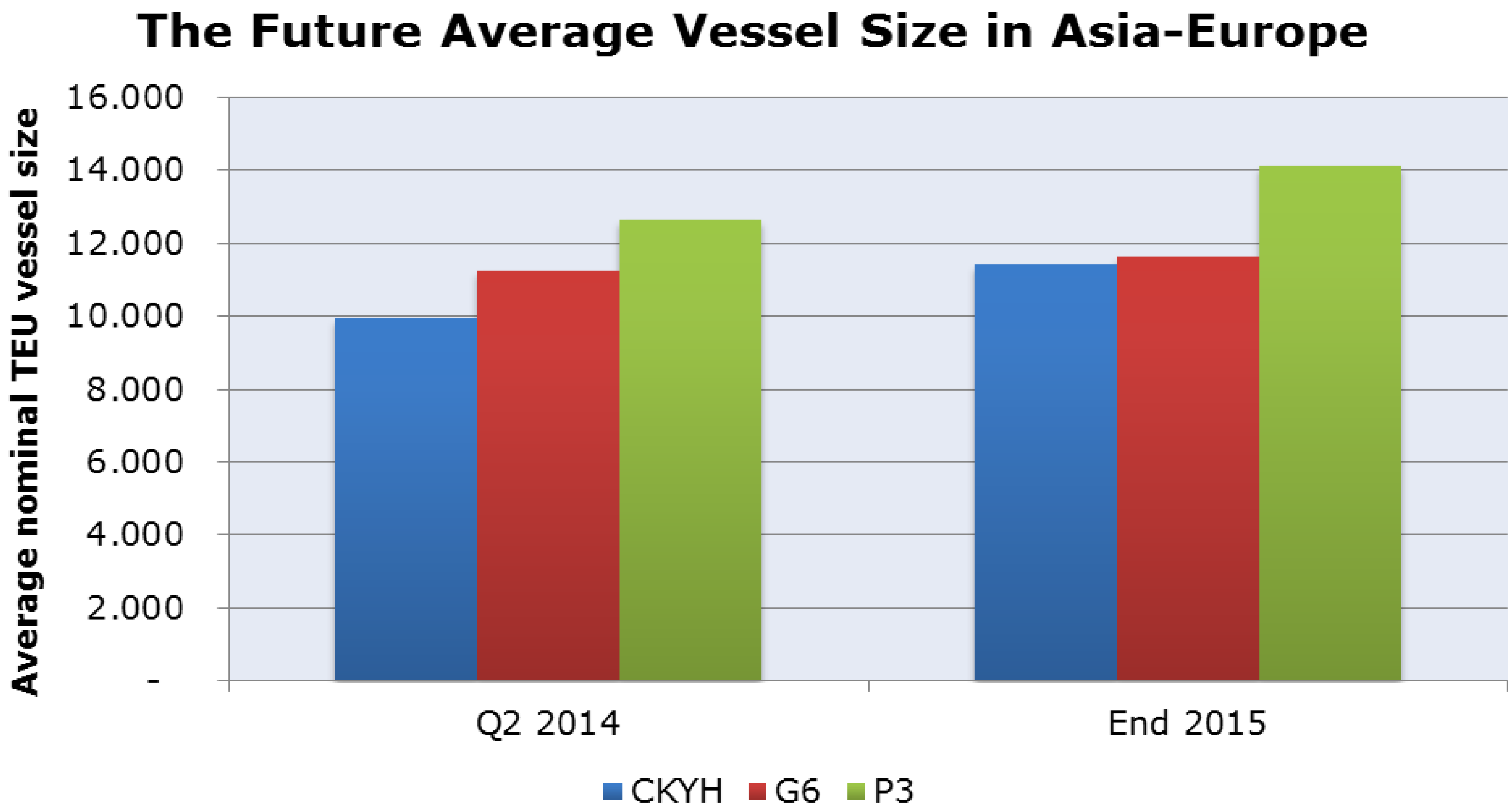


- P3 will be largest alliance on Asia-Europe
- P3 will not be largest on Transpacific
- P3 will have significantly larger vessels
- P3 network will not lower over-supply
- Alliances are **not** consolidation
- Alliance Partners cannot co-operate on Pricing, Sales, Marketing, Cust Service, etc.
- Still 3 carriers towards shippers / FFWs
- Not directly comparable to code-share
- Alliances **are** increasing commoditisation

Source: SeaIntel Sunday Spotlight issue 117

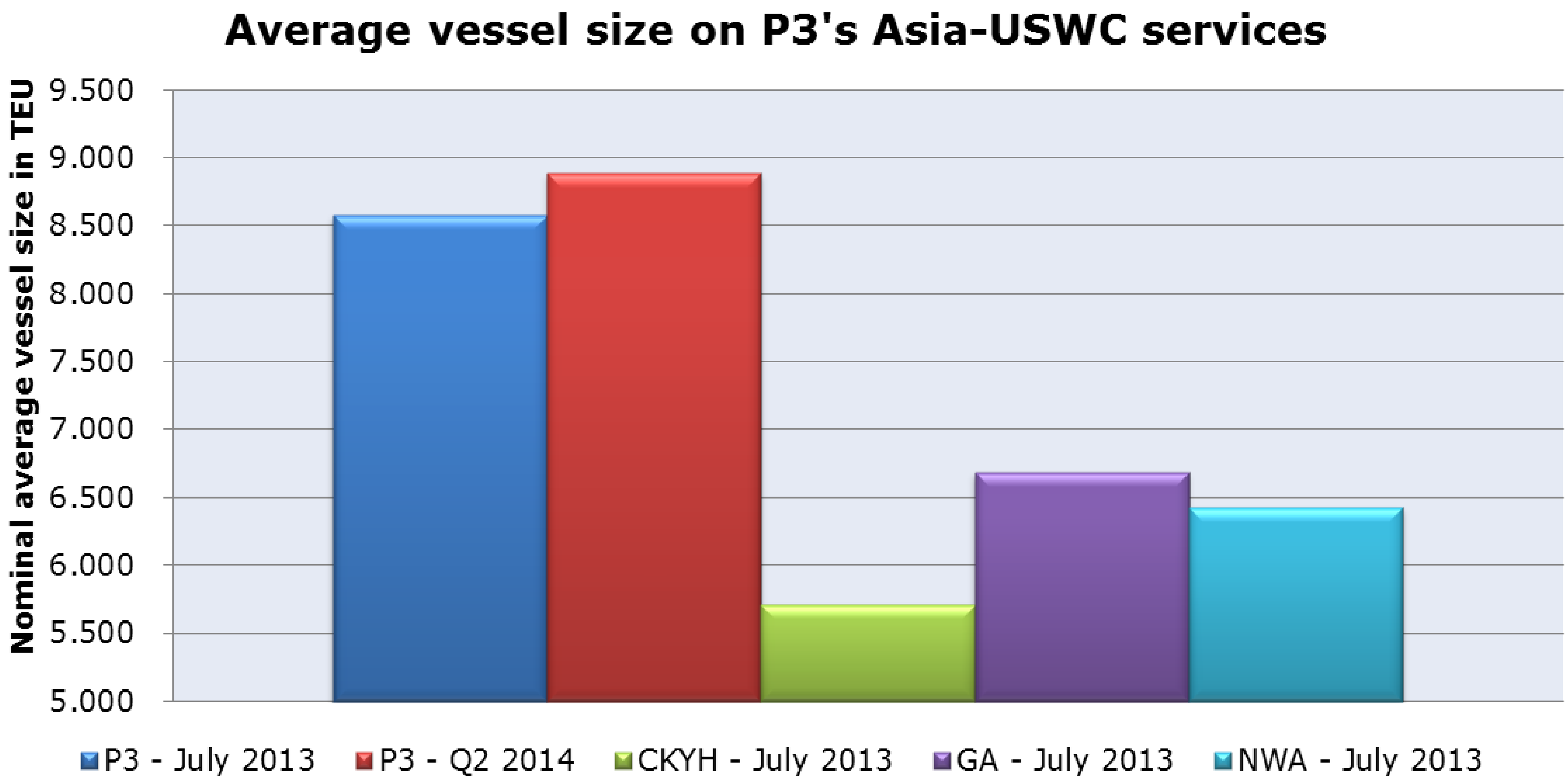
P3: The Cascading Effects – Asia-Europe

In Q2 2014 the P3 will have an average vessel size that is 12% larger than G6 and 27% larger than CKYH.

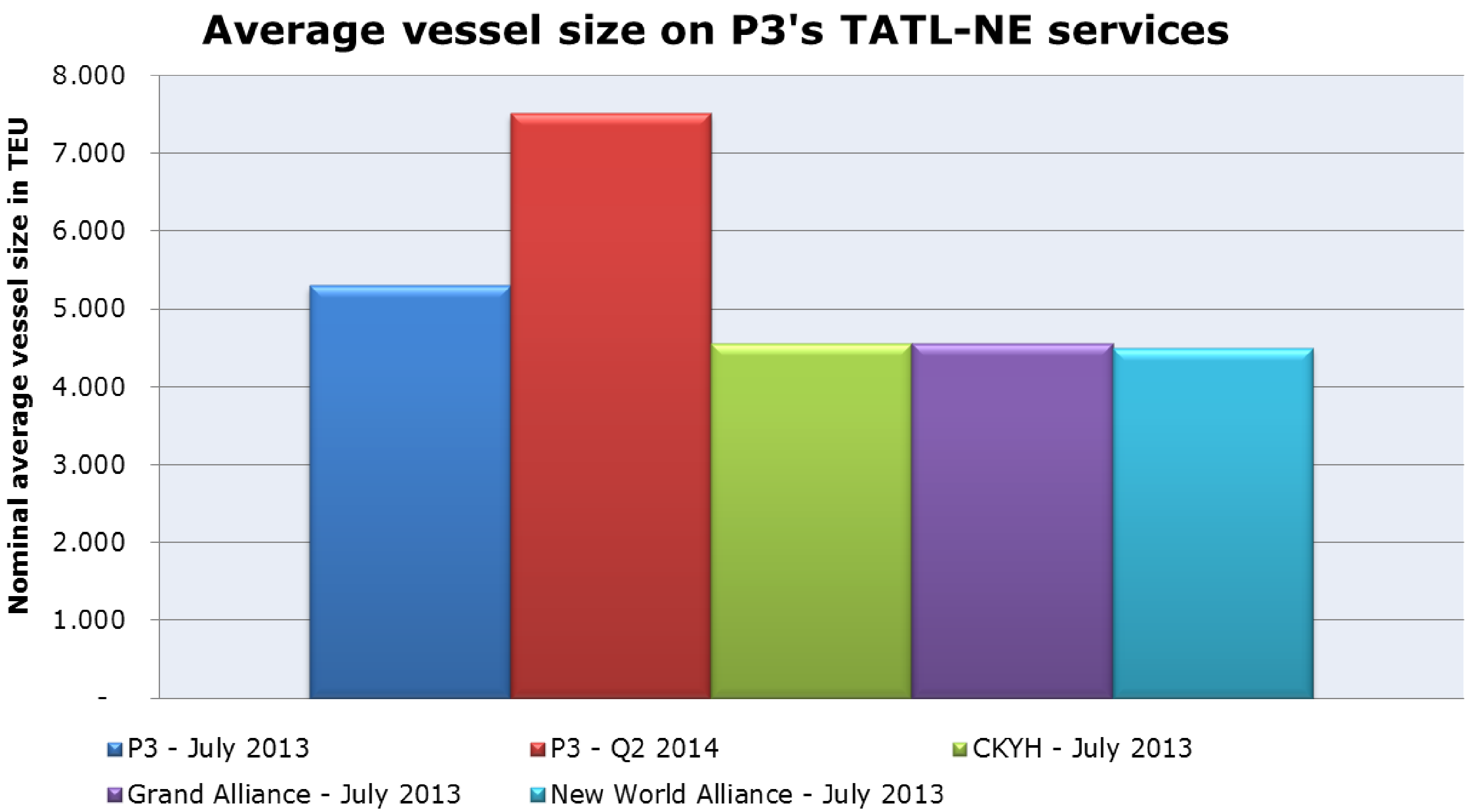


In end-2015 the P3 will have an average vessel size that is 24% larger than G6 and 26% larger than CKYH.

P3: The Cascading Effects – Transpacific



P3: The Cascading Effects – Transatlantic



P3: expected deployment for current network

Direct connections:
Shanghai: 14 services calling every 12 hours
SIN/TPP: 13 services calling every 13 hours
ROT/ANR: 8 services calling every 21 hours
ALG/TAN: 4 services calling every 42 hours

Total Direct Asia-Europe Connections: 421
Time at Sea: 72.2%
Average Total Roundtrip: 75.3 days

Direct Transit Times:
SHG-ALG: 24 Days
SHG-ROT: 28 Days
SIN-ALG: 21 Days
SIN-ROT: 24 Days
(Avg weighted TT)

Asia-Europe Transit Times:
Yokohama - Felixstowe : 32 days
Kobe - Bremerhaven: 40 days
Busan - Gdansk: 37 days
Dalian - Hamburg: 35 days
Qingdao - Zeebrugge: 32 days
Ningbo - Gothenburg: 35 days
Xiamen - Southampton: 28 days
Hong Kong – Le Havre: 25 days
Tanjung Pelepas - Wilhelmshaven: 25 days

P3 Network Scenario: Ultimate conveyor belt?

Direct connections:
Shanghai: 14 services calling every 12 hours
SIN/TPP: 14 services calling every 12 hours
ROT/ANR: 8 services calling every 21 hours
ALG/: 8 services calling every 21 hours

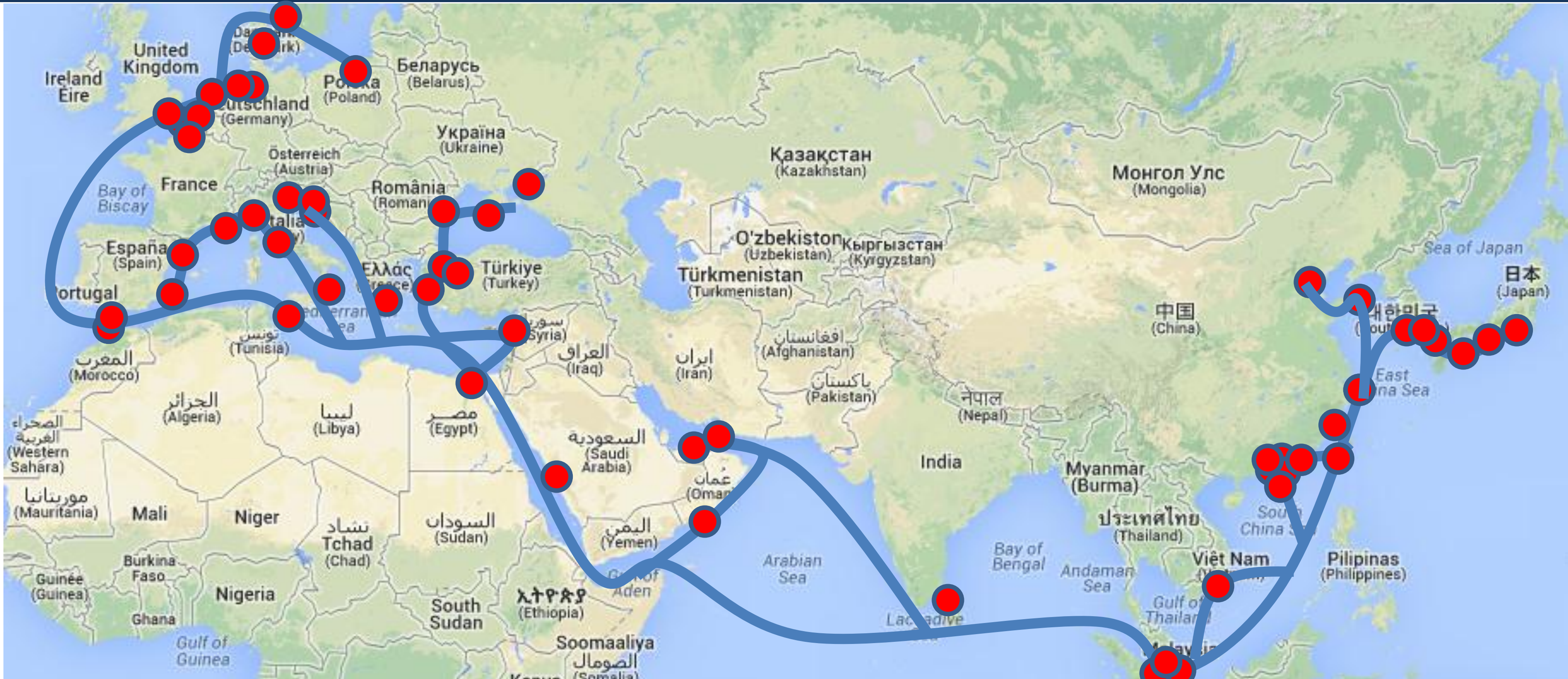
Total Direct Asia-Europe Connections:
Time at Sea: 89.4%
Average Total Roundtrip: 62.5 days (9 vessels!)

Direct Transit Times:
SHG-ALG: 21 Days
SHG-ROT: 25 Days
SIN-ALG: 16 Days
SIN-ROT: 20 Days

Asia:
Yokohama: + 5 days
Kobe: + 7 days
Busan: + 2 days
Dalian: + 4 days
Qingdao: + 2 days
Ningbo: + 2 days
Xiamen: + 3 days
HKG/SHZ: + 3 days
Kaohsiung: + 3 days

Europe:
Bremerhaven: + 2 days
Hamburg: + 2 days
Felixstowe: + 2 days
Le Havre: + 2 days
Southampton: + 2 days

P3 Network Scenarios: The ultimate milk run?



Direct connections:
Shanghai: 14 services calling every 12 hours
SIN/TPP: 13 services calling every 13 hours
ROT/ANR: 8 services calling every 21 hours
ALG/TAN: 4 services calling every 42 hours

Total Direct Asia-Europe Connections: 672
Time at Sea: ??% (Too many assumptions)
Average Total Roundtrip: 75.3 days

Direct Transit Times:
SHG-ALG: 27 Days
SHG-ROT: 30 Days
SIN-ALG: 24 Days
SIN-ROT: 28 Days
(Avg weighted TT)

Asia-Europe Transit Times:
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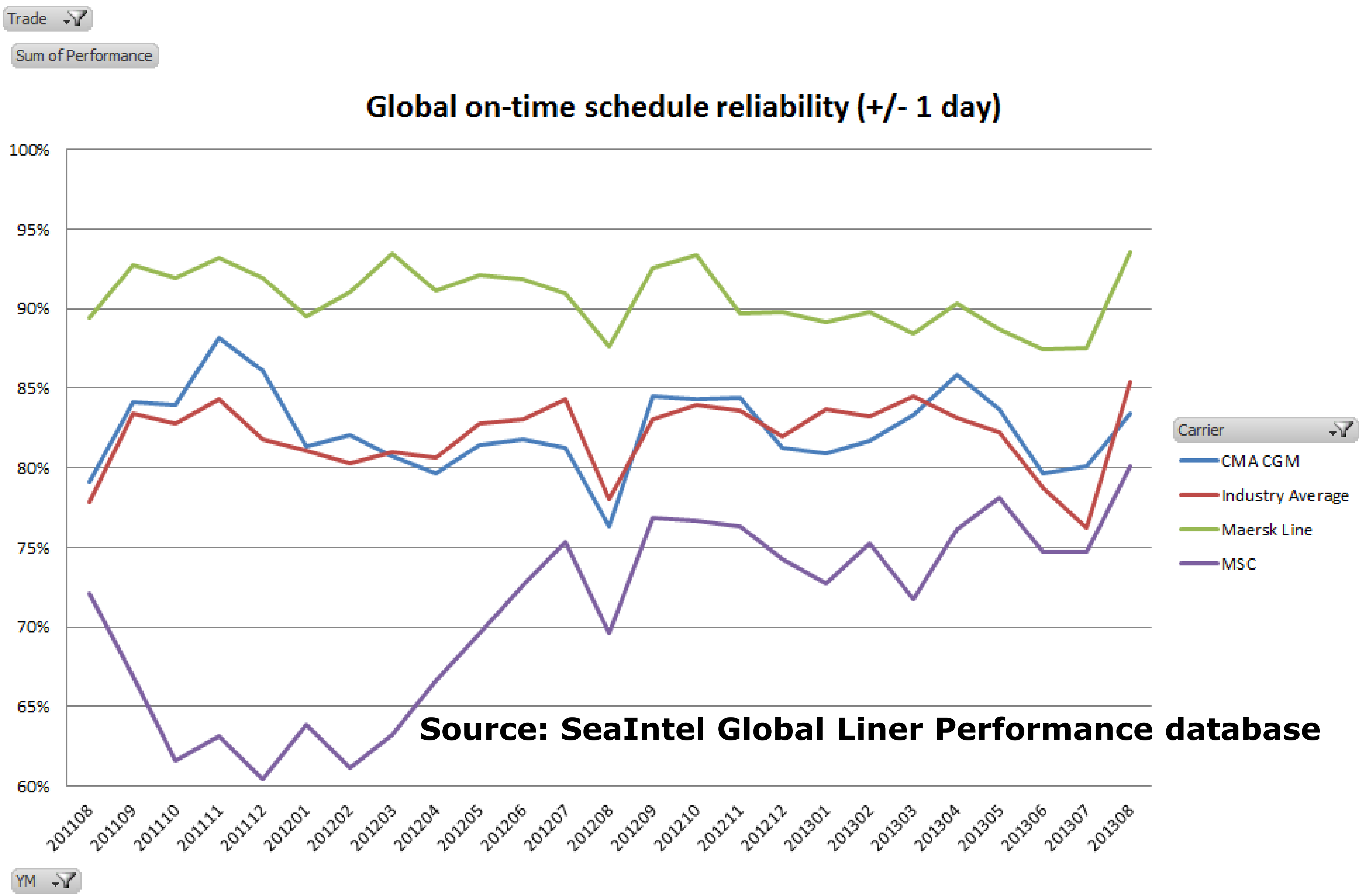
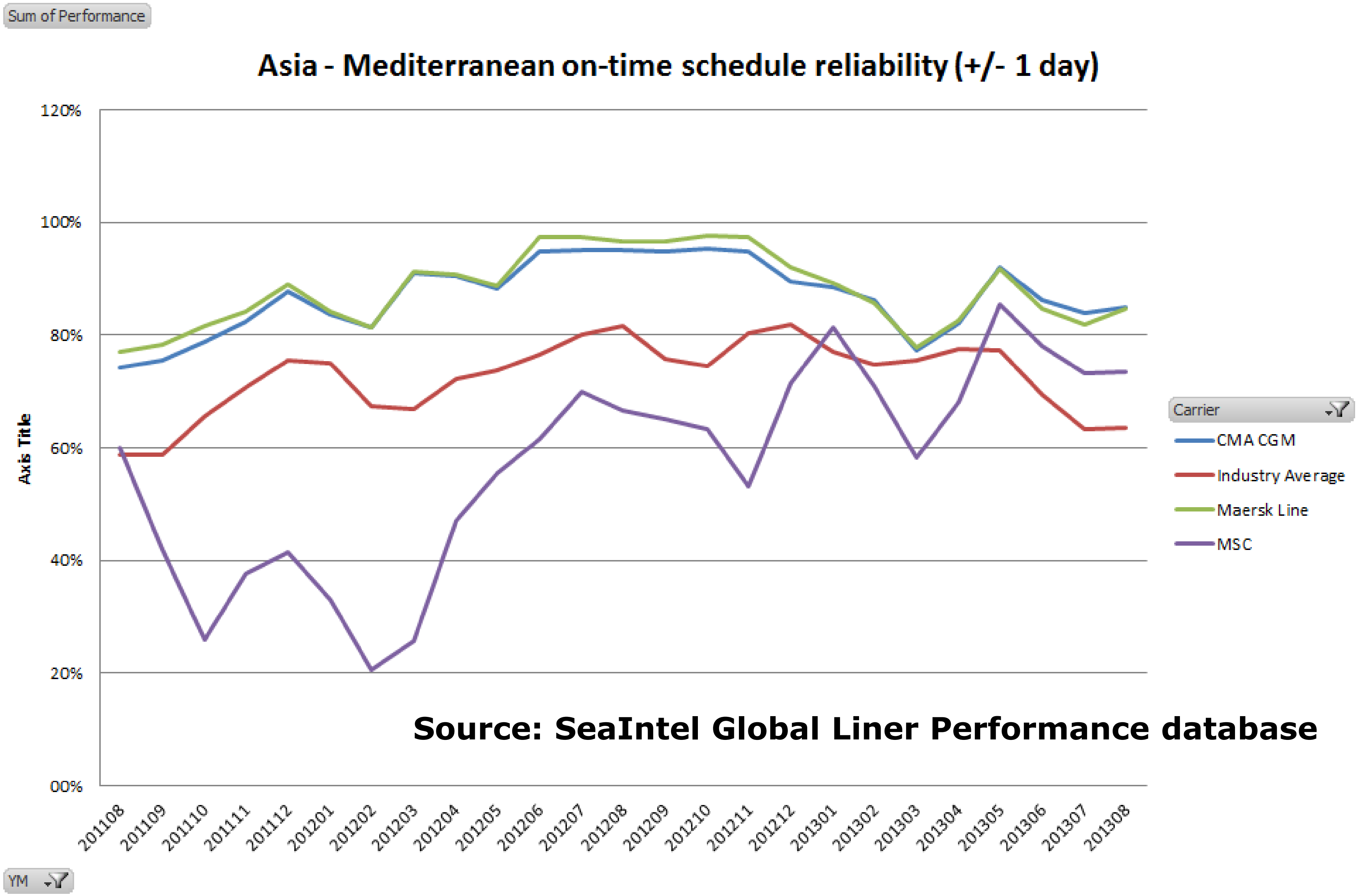
P3 Schedule Reliability: Global



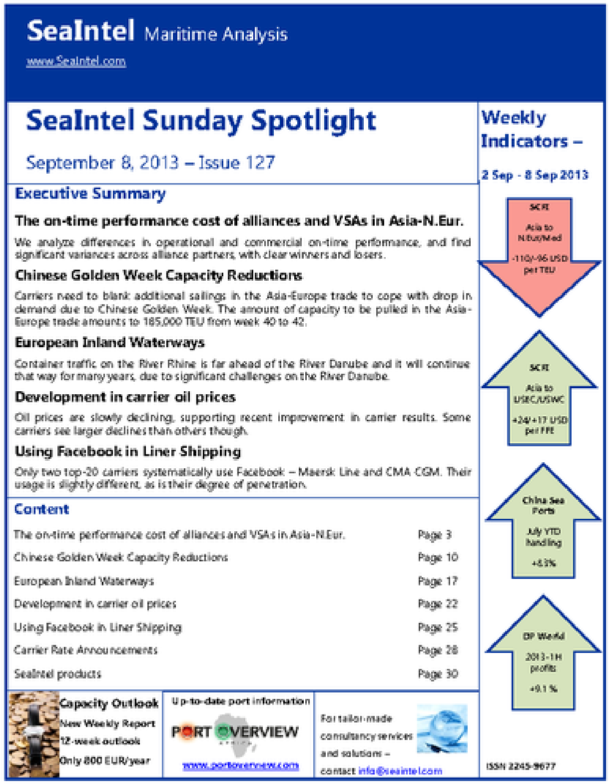
Source: SeaIntel Global Liner Performance database

P3 Schedule Reliability: Asia - Med



Source: SeaIntel Global Liner Performance database

Thank you!



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SeaIntel Sunday Spotlight

September 8, 2013 – Issue 127

Weekly Indicators – 2 Sep - 8 Sep 2013

SCFI Asia to N.Eur/Med -110/-96 USD per TEU

SCFI Asia to USEC/USWC +24/+17 USD per FFE

China Sea Ports July YTD handling +4.3%

DP World 2013-1H profits +9.1 %

Executive Summary

The on-time performance cost of alliances and VSAs in Asia-N.Eur.
We analyze differences in operational and commercial on-time performance, and find significant variances across alliance partners, with clear winners and losers.

Chinese Golden Week Capacity Reductions
Carriers need to blank additional sailings in the Asia-Europe trade to cope with drop in demand due to Chinese Golden Week. The amount of capacity to be pulled in the Asia-Europe trade amounts to 185,000 TEU from week 40 to 42.

European Inland Waterways
Container traffic on the River Rhine is far ahead of the River Danube and it will continue that way for many years, due to significant challenges on the River Danube.

Development in carrier oil prices
Oil prices are slowly declining, supporting recent improvement in carrier results. Some carriers see larger declines than others though.

Using Facebook in Liner Shipping
Only two top-20 carriers systematically use Facebook – Maersk Line and CMA CGM. Their usage is slightly different, as is their degree of penetration.

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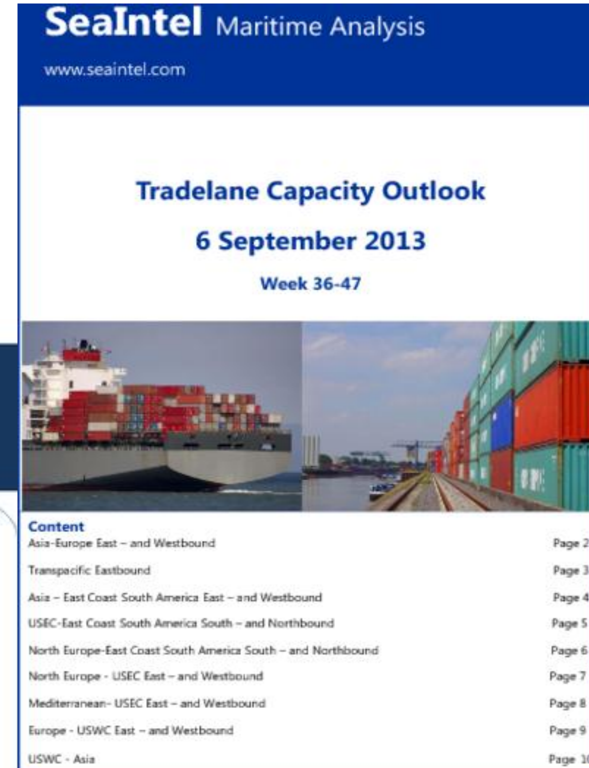

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Tradelane Capacity Outlook

6 September 2013

Week 36-47

Content

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Global Liner Performance - Annual (12 issues) : 1075 Euro

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