

INSTITUTE OF CHARTERED SHIPBROKERS – LINER TRADES

Session 1

Liner Shipping and the Container Revolution

Hellenic Management Centre – Feb/Mar 2021

TONY MASON

Course Outline

- (1) Introduction – Liner Shipping and the Container Revolution
 - (2) Liner Ships
 - (3) Ports, Terminals and Cargo Handling
 - (4) Through transport systems – containers and intermodal transport
 - (5) Container Lines and their networks – co-operation
 - (6) Container Lines and their networks – service structures
 - (7) Types of businesses in the liner sector – structure and organization
 - (8) Bills of Lading and other contractual documents
 - (9) Contracts between sellers and buyers
 - (10) Revenue and Costs in the Liner Business
 - (11) The Future for Liner/Container shipping
-

Topics for this session

- Early Liner Trades
 - Trade Development
 - Early Liner Vessels and their evolution
 - Containerisation as a concept
 - Pros and Cons of containerisation
 - Introduction to the main players – global container lines
 - Main categorisation of trades
 - Trade organisations and international regulators
-

Liner Shipping (1818 – 2021)

Definition:

Liner services comprise ships following a fixed route or routes, sailing according to pre-determined schedules which offer cargo and/or passengers space at fixed rates to those who wish to have goods transported or make journeys

Liner Shipping vs Tramp Shipping



VS



VS



Passenger Liner Services



1818 Black Ball Line
Liverpool – New York
'James Munroe'

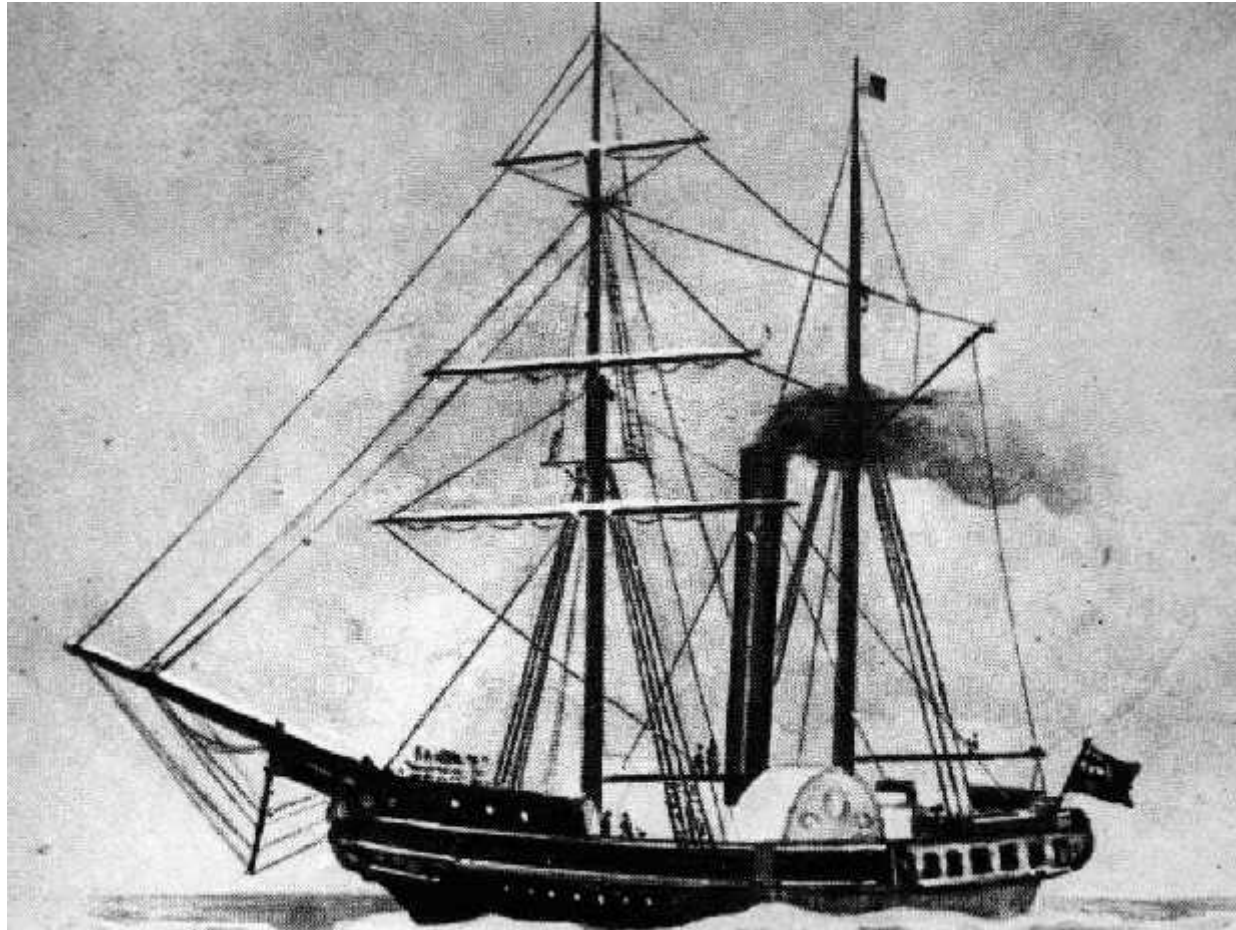


Union-Castle Line
UK – South Africa
1900-1977



Cunard Line
Queen Mary 2
Weekly Transatlantic Service
(summer only)

Early Cargo Liner Vessel - William Fawcett 1828



Peninsular Line (later P and O)
UK – Spain/Portugal

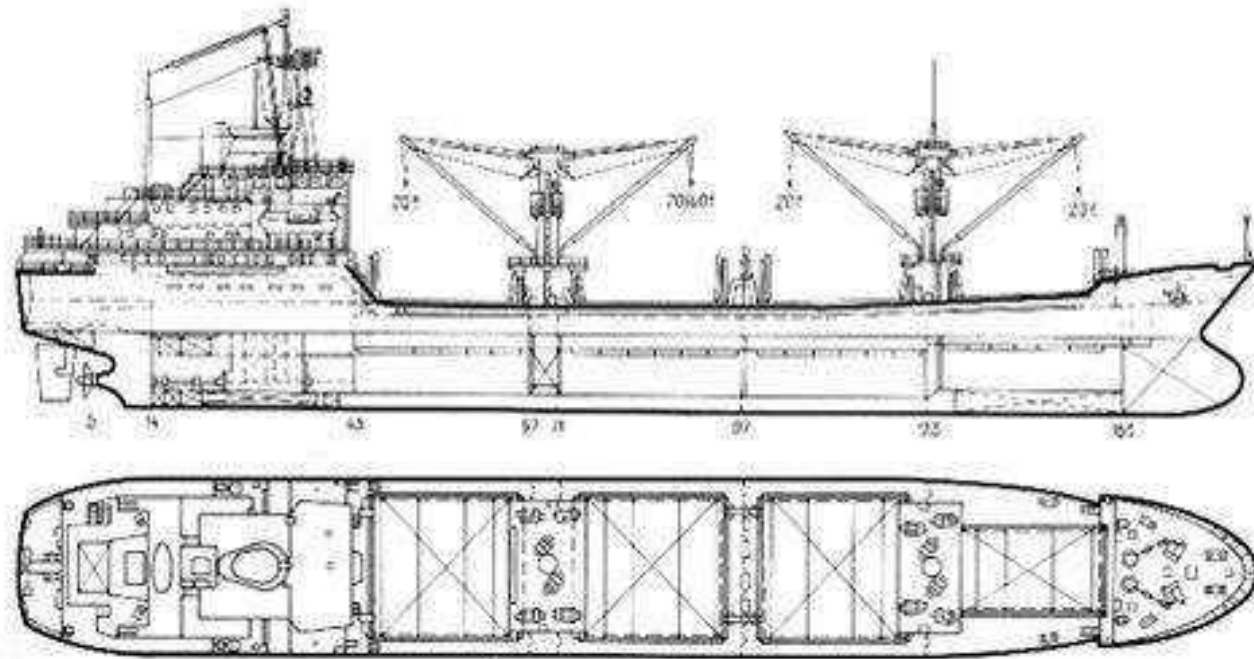
Liner Shipping Develops with World Trade in the 19th and 20th Century

- Liner Shipping routes follow the development of traded goods – initially mainly raw materials/ commodities
 - Development of Empires
 - Outward – Capital and Consumer Goods
 - Homeward – Minerals and Agricultural Commodities
 - Suez Canal (1868) and Panama Canal (1914) provided shorter and safer routes avoiding the Capes
 - 20th Century saw the development of more specialised ships – dry bulk, tankers – to carry specific commodities in bulk – which had previously been carried by liner ships
-

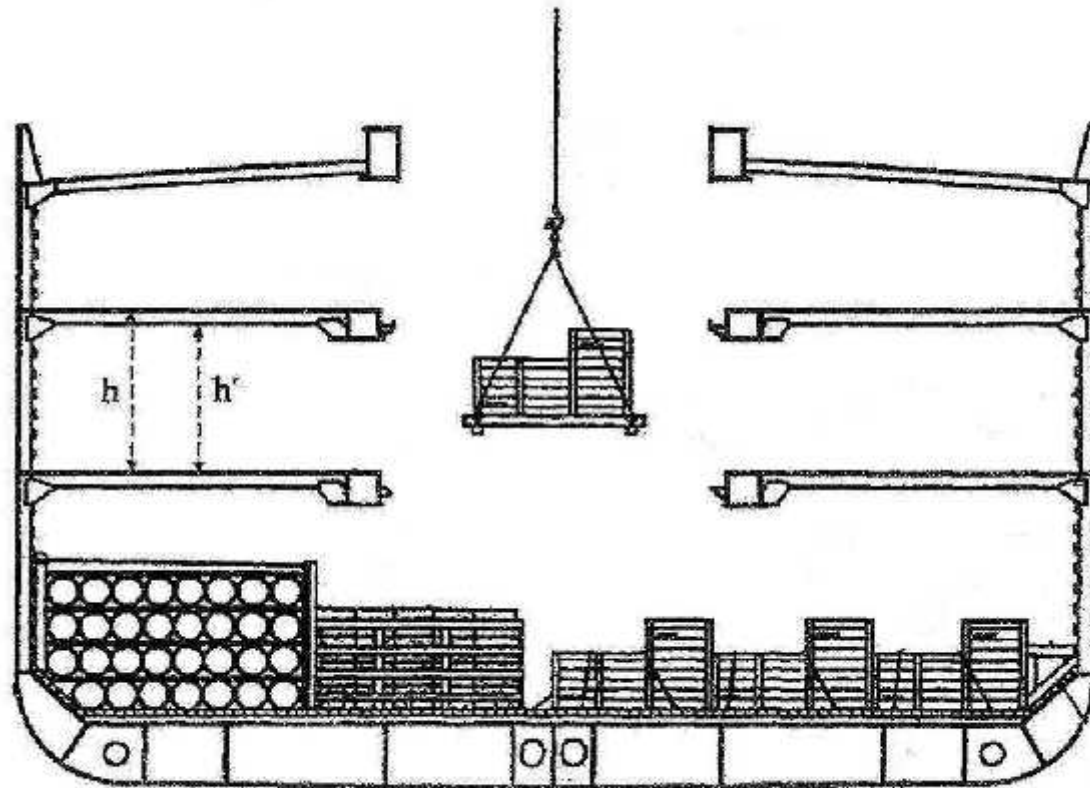
Modern General Cargo Ship of the 1960s



General Cargo Ship



Conventional Cargo Loading



Characteristics of Traditional Liner Shipping

- Port to port service
 - Multiple port calls
 - Reliance on shipping agents
 - High incidence of cargo damage
 - Inefficient cargo handling operations
 - Poor asset productivity
 - Labour intensive with frequent industrial disputes
 - Low profit margins
-

First Container Ship – S.S. Ideal-X



First Containership, Ideal-X, 1956

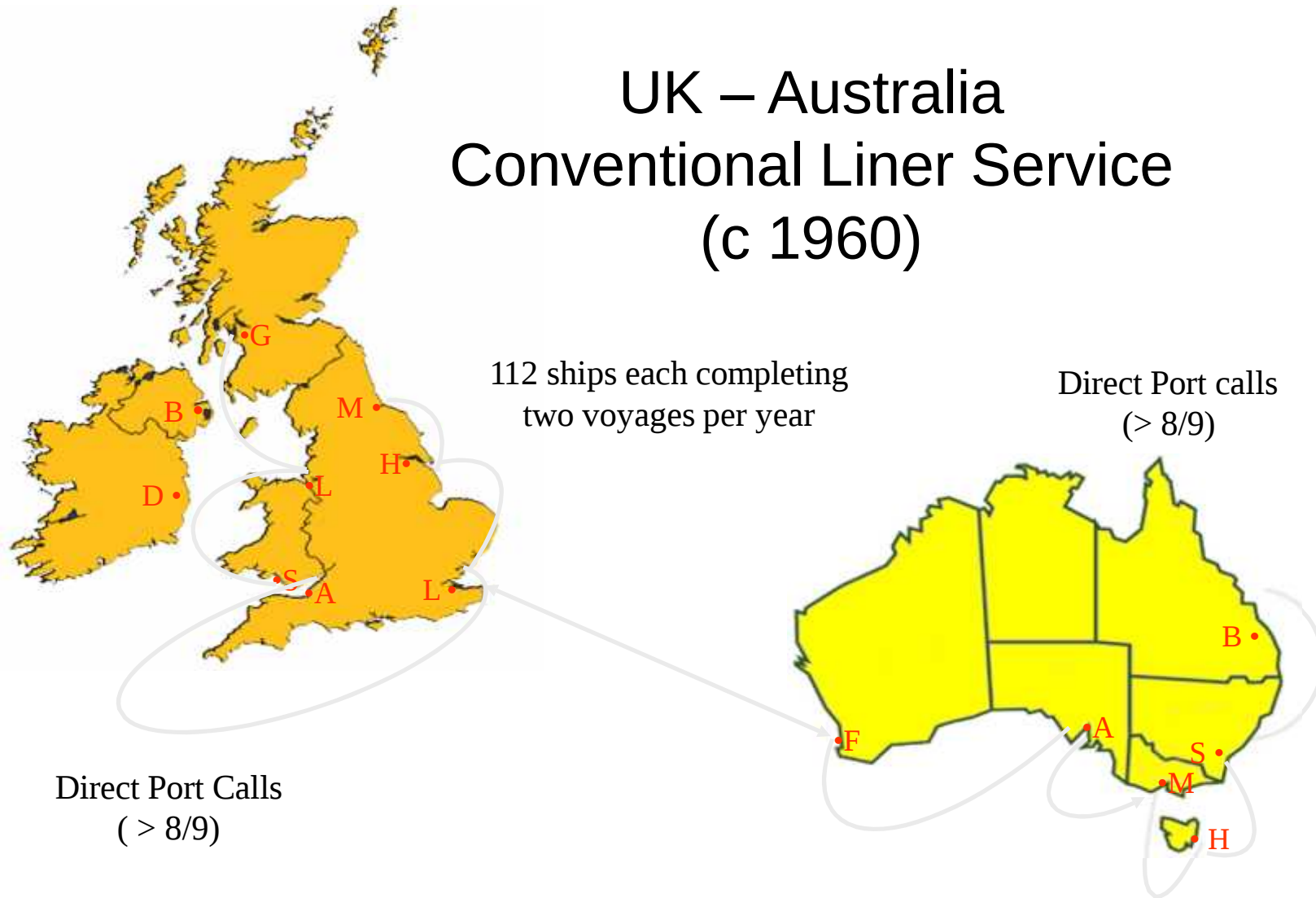
Source: Maersk/SeaLand.

- Malcom McLean – a North Carolina trucker
 - S.S. Ideal-X – a converted WWII tanker
 - Carried 58 x 35ft containers on deck (liquid cargo carried under deck)
 - Container size matched trailer size at the time
 - April 26, 1956 from Newark to Houston
 - First ship with stacked containers – Gateway City (1957) – 226 containers
 - McLean's company – Pan Atlantic Steamship – became Sea-Land Service; acquired by Maersk in 1999.
-

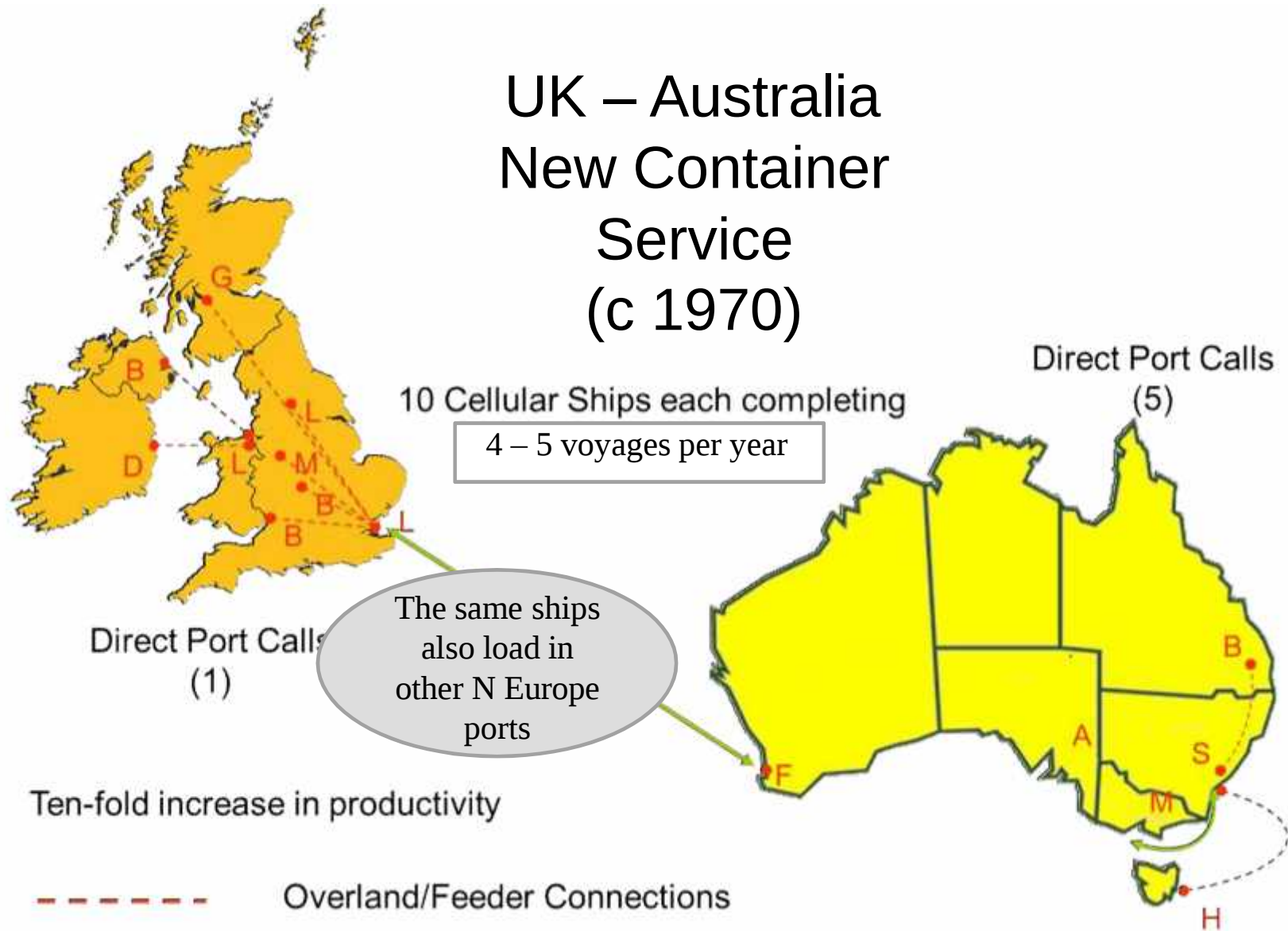
The Start of the Container Revolution

- 1956 - Malcom Mclean – containers as the trucker's solution
 - SS Ideal X from Newark to Houston – April 26, 1956
 - 1960's – experimentation with ways to unitise cargo
 - Late 60's/70's – European liner companies embraced containerisation as a solution to their problems
 - First purpose built container vessels
 - First deep sea trades to be containerised:
 - Transatlantic
 - Europe/Australia (1969/70)
 - Europe/Far East (1972)
 - 70's/80's – more liner trades are containerised
 - 80's – new 'start up' container lines compete with the long established liner companies
-

UK – Australia Conventional Liner Service (c 1960)



UK – Australia New Container Service (c 1970)



Pros and Cons of Containerisation

- Speedier turnaround of vessels in port
- Shorter transit times
- Greater reliability/fewer delays
- Better protection for cargo – reduced damage and losses
- Less requirement for labour/removed heavy manual handling of cargo
- Larger ships increased economies of scale
- **Led to reduced costs for shipowner and shipper**

BUT

Pros and Cons of Containerisation

BUT

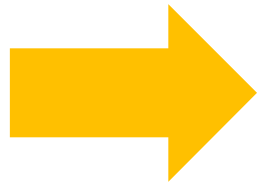
- Higher capital costs for specialised container vessels
- Additional investment needed in containers to carry the cargo, and 'wasted' cost of repositioning empty containers
- Specialised container terminals needed – high capital investment in infrastructure/equipment and more land needed
- Mechanisation/fewer jobs led to conflict with labour/unions

OUTCOME – Has revolutionised international trade

The Container Revolution

Why call it a revolution?

Containerisation



Multi-Modal Transport
Door to Door Transport
Supply Chains (JIT)
Logistics Management

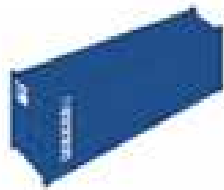


Containerisation led to the Global Economy???



How to count container capacity

TEU = Twenty foot equivalent unit



20' standard - steel
1 TEU

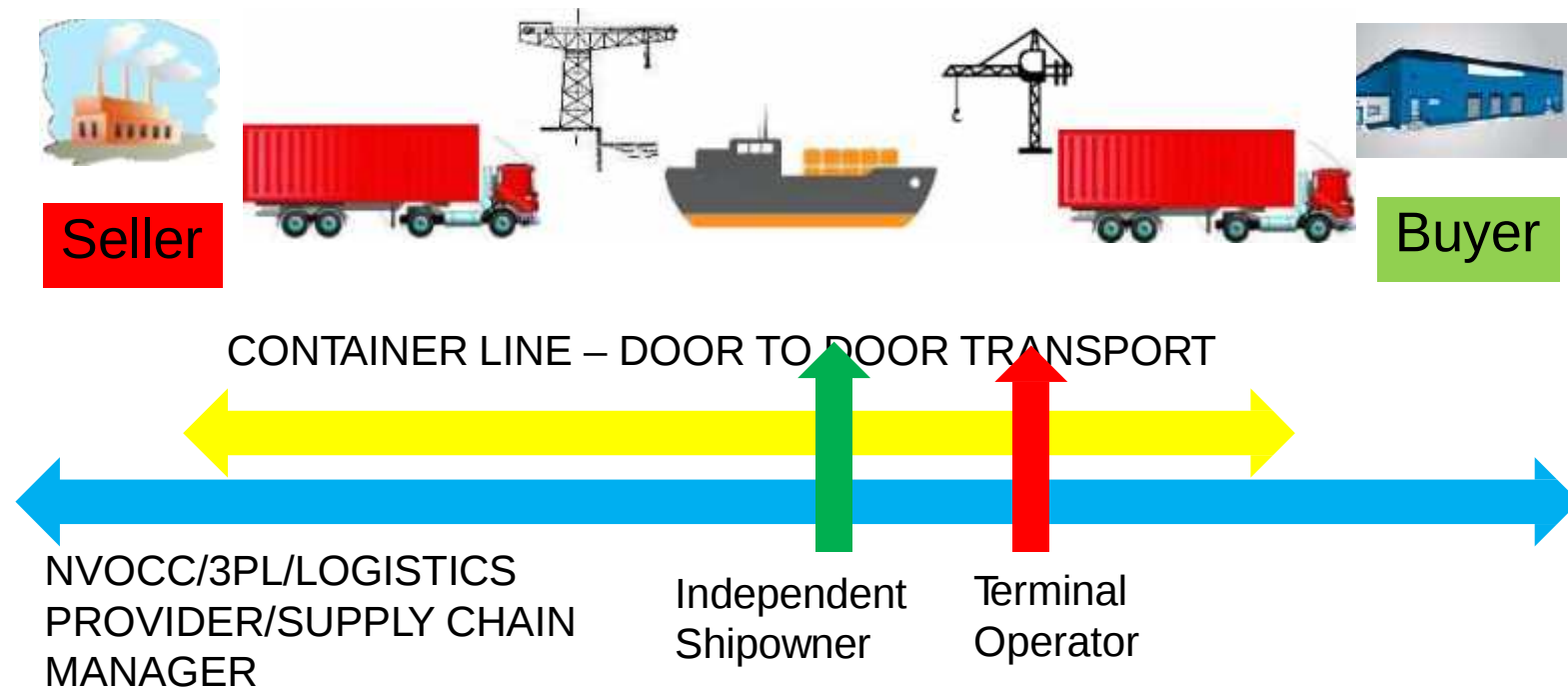


40' standard - steel
2 TEU

1 'slot' = 1 teu
(slot often used for ship capacity)

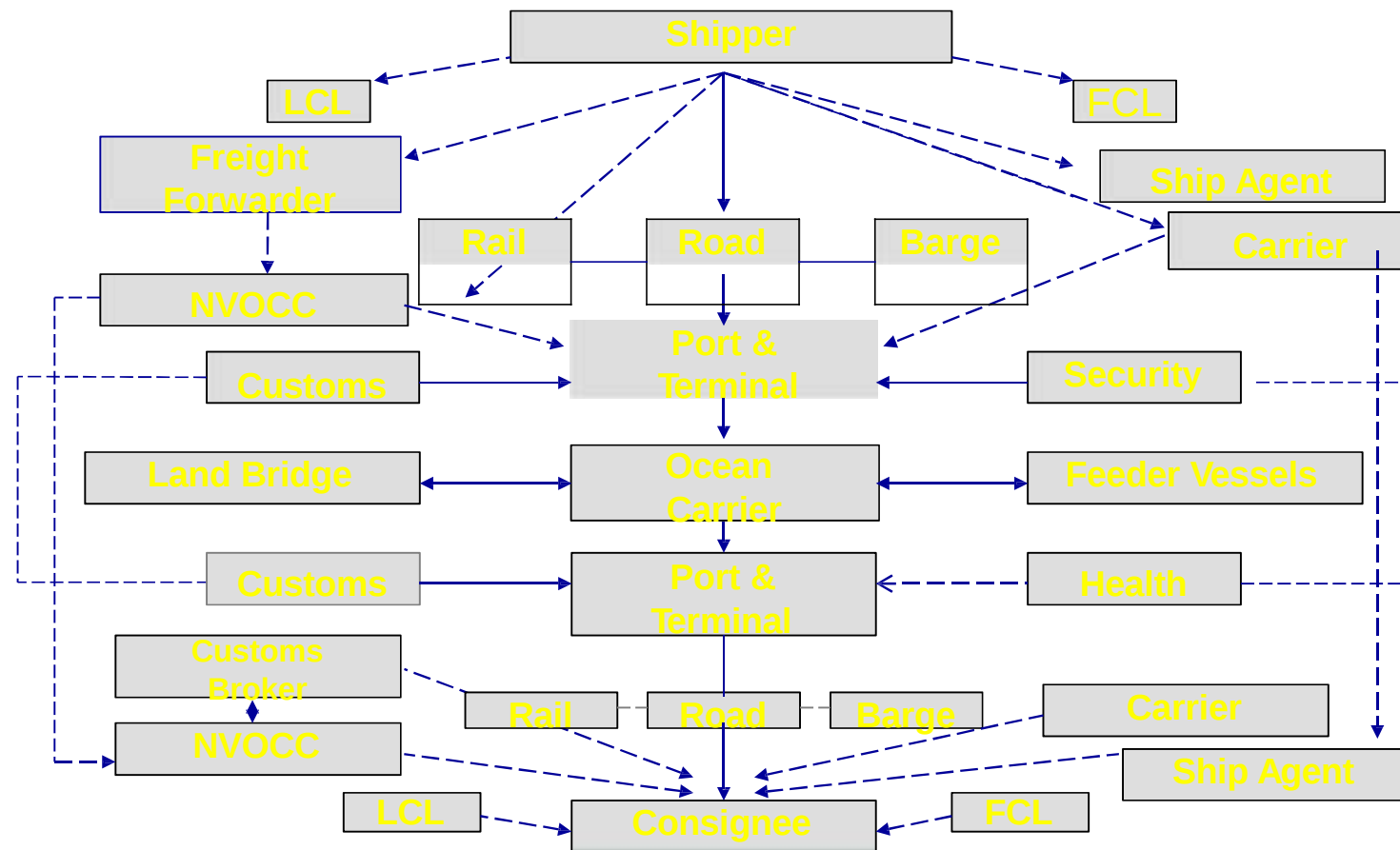
Sometimes we 'count' containers,
sometimes teu – Why??

WHO IS WHO IN THE SUPPLY CHAIN



International Freight Movement

Key Elements



WHO ARE THE MAIN CONTAINER LINES?

- Reduction in the number of lines
- The pace of consolidation



MAIN CATEGORISATION OF TRADES

- EAST/WEST
 - Asia/Europe
 - Europe/North America
 - Asia/North America
 - Asia/Middle East
 - Europe/Middle East
- REGIONAL TRADES
 - Intra Asia
 - Intra Europe
 - etc
- NORTH/SOUTH
 - Asia/Africa
 - Asia/South America
 - Asia/Oceania
 - Europe/Africa+ South America + Oceania
 - North America/Africa+ South America + Oceania

‘Deep Sea’ vs ‘Short Sea’
also used as definitions

Main Trade/Operator Organisations and Regulatory Bodies impacting the Liner Trades

- **Intergovernmental**

- International Maritime Organization (IMO)
- UNCTAD
- WTO

- **Governmental**

- European Union (DG Comp, DG Move)
- USA (FMC, US Coastguard)

- **Standards**

- International Association of Classification Societies (IACS)
- International Standards Organisation

Main Trade/Operator Organisations and Regulatory Bodies impacting the Liner Trades

- **National Shipowner Associations**
 - e.g. Union of Greek Shipowners
- **International Shipowner Associations**
 - International Chamber of Shipping (ICS)
 - **BIMCO**
 - World Shipping Council (represents container lines)
- **Others**
 - International Chamber of Commerce
 - International Maritime Bureau
 - **International Transport Workers Federation**
 - **FONASBA**

International Maritime Organization

- United Nations specialist agency
- Established as IMCO (Inter-Governmental Maritime Consultative Association) in 1948
- Convention entered into force 1958, first meeting 1962
- Name changed to IMO 1982
- 174 Member States (Armenia and Nauru joined in 2018)
- Non-governmental organisations as observers
- Major Conventions
 - SOLAS (Safety of Life at Sea)
 - MARPOL (International Convention for the Prevention of Pollution from Ships)
 - STCW(Standards of Training, Certification and Watchkeeping)
- Other conventions e.g. Recycling



Other Intergovernmental Organisations

- **United Nations Council for Trade and Development (UNCTAD)**
 - Established 1964
 - *'To maximise the trade, investment and development opportunities of developing countries and assist them in their efforts to integrate into the world economy on an equitable basis'*
 - GSP Scheme to promote exports from developing countries
 - Code of Practice for Liner Conferences
 - Liability Conventions (Hamburg Rules, Rotterdam Rules)
- **World Trade Organization (WTO)**
 - An intergovernmental organisation to facilitate and develop trade
 - Based in Geneva (established 1995) – replaced GATT
 - Supports and oversees international trade agreements
 - Provides a forum for negotiations on trade agreements
 - Handles disputes between countries over trade (e.g. tariffs etc.)
 - Provides support and technical assistance for developing countries
 - Publishes trade statistics

International Association of Classification Societies (IACS)

- 12 classification society members
- Setting standards for classification societies
- Technical support, compliance verification, and research and development
- Design and construction
- 90% of world tonnage covered by IACS members

International Organization for Standardization (ISO)

- Independent non-governmental organisation
- Membership comprises 162 national standards bodies
- Standards to facilitate international trade
- Standards cover, for example
 - Quality management systems (ISO 9001)
 - Design/construction of containers
 - Handling and Securing of Containers
 - Identification and Marking of Containers
 - Container equipment data exchange

International Chamber of Shipping (ICS)

- Membership comprises national shipowners' associations
- Collectively they represent around 80% of the world merchant fleet
- Representation of the industry on technical, legal and operational matters at IMO, ILO and other international and regional organisations
- Publishes best practice guidance documents
- Promotes the value of international shipping to decision makers, and to the community at large

BIMCO

- Core Objective:
 - ‘To facilitate the commercial objectives of our members by developing standard contracts and clauses, and providing quality information, advice and education’
- Full name : Baltic and International Maritime Council
- Founded in 1905 by a group of shipowners in the Baltic and White Sea trades
- Membership is now international, and includes shipowners and operators, shipbrokers, agents, maritime lawyers and P and I Clubs
- More than 2,200 members
- Represents its members on issues concerning regulation
- Strong focus on producing standard documents for use in the industry
- Provides comprehensive information to its members on maritime matters

Association for Liner Shipping Operators

- **World Shipping Council**

- Global representation of the liner shipping industry ('united voice of liner shipping')
- Members are major liner/container operators (19 members)
- Operates 90% of global liner ship capacity
- 400 regular scheduled services
- Focuses on maritime security and environmental issues
- Consultative status at IMO

Other organisations related to shipping

- International Chamber of Commerce (ICC)
 - Membership comprises national chambers of commerce
 - Promotes international commercial activities
 - Main engagement with shipping:
 - INCOTERMS and UCP600
- International Maritime Bureau (IMB)
 - Set up by ICC
 - Objective is to reduce maritime fraud
 - Also set up Piracy Reporting Centre
- International Transport Workers Federation (ITF)
 - Membership of more than 400 trade unions from nearly 100 countries
 - Focused on pay/conditions for seafarers
 - Has conducted campaigns against 'flags of convenience'

Other organisations related to shipping

- FONASBA (Federation of National Associations of Ship Brokers and Agents)
 - Formed 1969 – some 26 countries as members
 - Objectives:
 - Supports its members when the basis and general interests of their profession are in question
 - Co-ordinates common efforts to improve, simplify and standardise shipping contracts and documents
 - Ensures an efficient exchange of information of general or particular interest
 - Standard Liner agency contract

Introduction to the Impact of COVID-19

- **Volumes**
- **Freight Rates**
- **Service Disruption**
- **Problems of Crew Changes**
- **Profits**

Long Term Trends being disrupted by COVID

Phase 1: March – June 2020

- Customers cancel shipments
- Ports and Inland Haulage suffer immediate disruption (boxes cannot enter/leave terminals)
- Lines cancel complete loops and blank sailings
- Predictions of significant volume reductions in 2020, and slow recovery thereafter

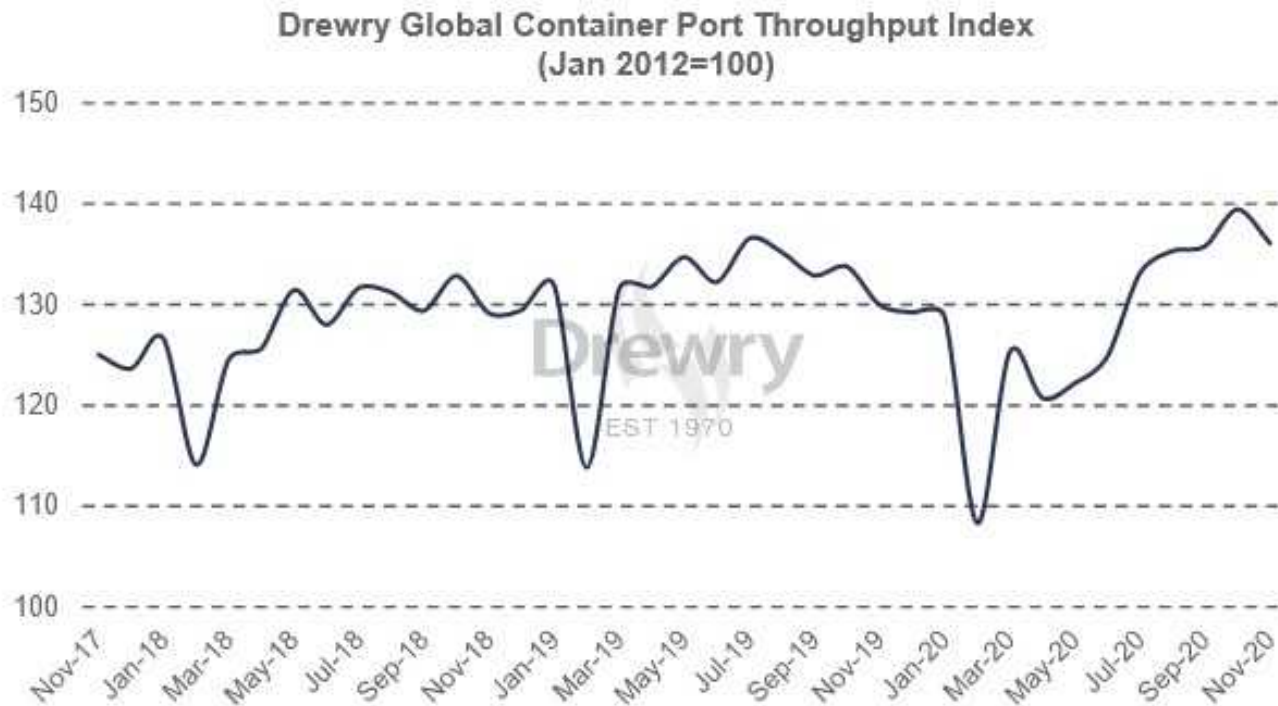
Phase 2: 2nd Half 2020

- Consumers in lockdown spend money on goods rather than travel, entertainment etc. online buying surges
- Container volumes bounce back rapidly
- Ports still suffer from labour shortages due to COVID; congestion and slow vessel turnaround (vessel queues at key ports such as Los Angeles)
- Container turnaround slows down – shortage of containers for bookings
- Freight rates soar, while shippers cannot get cargo shipped
- Service levels deteriorate rapidly
- Charter market runs out of ships – lines cannot deploy more ships to meet demand
- 2020 looks like being one of bumper profits for lines

Phase 3: 2021

- No sign of short term relief
- COVID problems will continue to disrupt supply chains
- No immediate relief with ship and container supply
- Predictions that high freight rates will continue for 'months'

Record port volumes, in spite of COVID-19



- Monthly index at record level in Oct 2020
- Nov 20 up 4.9% on Nov 19; main growth in China and N America
- Monthly downturn in China in Nov caused by box shortages
- In spite of this, China up 7.5% year on year in November
- North America up 15% in November year on year
- Europe volumes static in November year on year

Current market freight rate developments

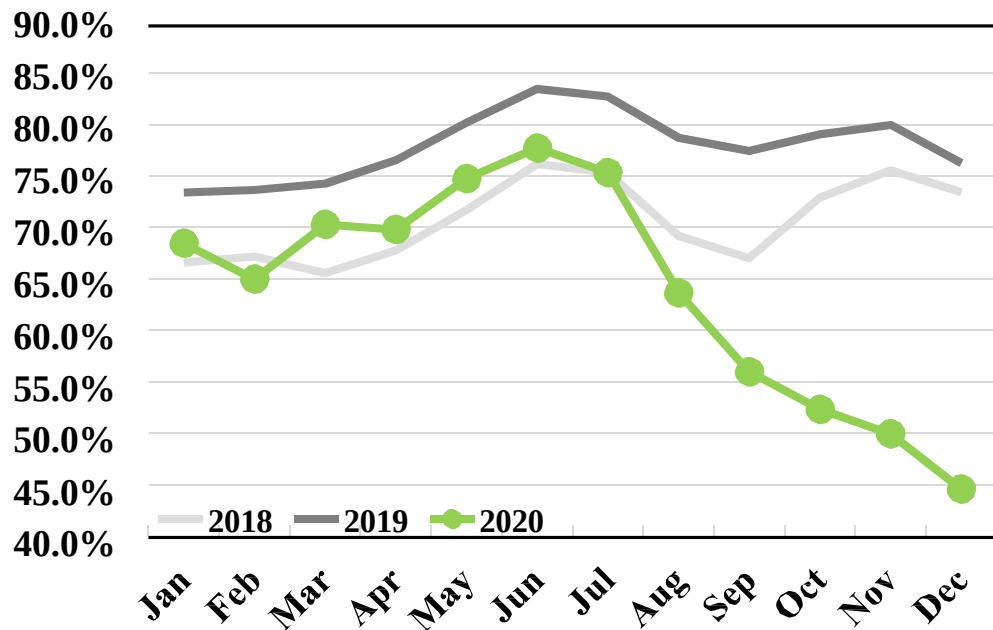
Shanghai Containerised Freight index 2020 development by trade lane



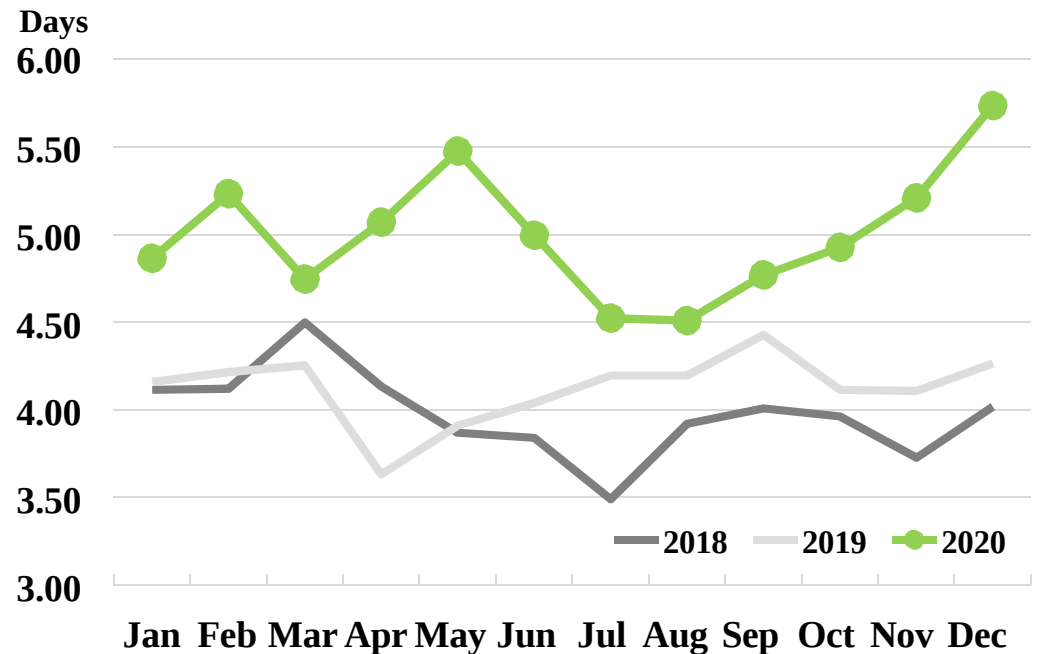
Source: Dynaliner

GLOBAL SCHEDULE RELIABILITY

Vessels on time % (within 24 hours)



Average Delays for Late Vessel Arrivals



COVID 19 – the problem of crew changes



- Said to be 400,000 seafarers beyond their contract term
- Some have been at sea for more than one year
- Seafarers stuck at home unable to join vessels
- Lack of flights/available seats
- Requests for treatment as 'key workers' from IMO, the UN Secretary General, and many others go unheeded
- National restrictions on entry/exit
- Next challenge is vaccinations for seafarers

Crew at Changi Airport in transit to India

Loading Dhows at Dubai Creek 2013



...so, what's changed??

Free Sources of Current News and Developments in Liner Shipping

<https://gcaptain.com/>

<https://splash247.com/>

<https://theloadstar.com/>

Consider signing up for newsletters!



Questions from Past Exam Papers

Define and comment on any FOUR of the following abbreviations and their role within the liner industry:

- | | | |
|----------------------|---------------------|--------------------|
| (i) NVOCC | (ii) P&I | (iii) LCL |
| (iv) ISM Code | (v) BIMCO | (vi) UNCTAD |
| (vii) ICD | | |

(July 2020 Q5)

(similar questions in previous years, also included IMO, ITF and IACS in the list)
