

UNITED NATIONS

ECONOMIC COMMISSION
FOR LATIN AMERICA AND
THE CARIBBEAN – ECLAC



Distr.
GENERAL

LC/G.2027
20 May 1998

ORIGINAL: ENGLISH

CONCENTRATION IN LINER SHIPPING

ITS CAUSES AND IMPACTS FOR
PORTS AND SHIPPING SERVICES
IN DEVELOPING REGIONS

ABSTRACT

Concentration in liner shipping means that relatively larger shipping companies are increasing their market share at the expense of the remaining smaller players. Although this process is not new, it has gained strength and is particularly affecting ports and shipping services in developing regions.

Because trade is growing as a proportion of world GDP, governments and international organizations attach an increasing priority to improving ports and shipping services. This leads to deregulation, which, together with technological advances, increases the incentives for shipping companies to form alliances and to merge. Another cause of the process of concentration is technological change, which has led to an increase of fixed costs as a proportion of total average costs. This leads to larger optimum unit sizes of vessels, ports, and companies, which in turn reduces the number of participants in the long-term market equilibrium.

To analyse the impacts of these trends, the document examines the following issues: the extent to which economies of scale are being realized; possible declines in liner shipping companies' profits; the danger of overcapacity; fluctuations in freight-rates; the strength of alliances; the expansion of east-west carriers into north-south markets; the increasing proportion of trans-shipped containers; ports as trans-shipment centres; options for small liner operators; benefits for importers, exporters and consumers; and the implications for regulatory bodies.

The document presents a generally positive picture. The word concentration might initially raise the issues of abuse of market power and monopoly rents, but importers, exporters, consumers, ports, and major east-west carriers are all likely to gain from the described process. The ones that are most likely to lose are traditional north-south liner shipping companies. It would, however, be a costly misconception of competition if the public sector tried to protect smaller players from its consequences.

CONTENTS

EXECUTIVE SUMMARY	1
INTRODUCTION.....	5
I. CONCENTRATION IN MARITIME TRANSPORT.....	6
A. VESSEL SIZES.....	6
1. The Panamax barrier.....	6
2. How much bigger?	7
B. CARRIERS	9
1. Mergers and acquisitions	9
2. Fewer companies, yet more competition	11
C. ALLIANCES	12
1. Alliances, consortia, and other forms of cooperation	12
2. Increasing market share	13
D. PORTS	14
1. Larger vessels require fewer port calls	14
2. Fewer port calls require more trans-shipment	14
E. OTHER MARITIME INDUSTRIES	20
1. Shipbuilding	20
2. Registries	21
3. Seafarers	21
4. Container leasing	22
5. Vertical integration	22
F. OUTLOOK	23
II. CAUSES.....	24
A. MOTIVES.....	24
B. ECONOMIC BACKGROUND.....	25
1. The global trade environment.....	25
2. The demand for liner shipping services	28
3. The supply of transport services	32
4. Focus: Latin America and the Caribbean	35
5. Causes of concentration in shipping	44
C. GOVERNMENT REGULATION	45
1. Synergies and conflicts of interest.....	45
2. Recent trends	48
3. International coordination.....	49
4. Causes of concentration in shipping	50
D. TECHNOLOGICAL CHANGES.....	50
1. Technologies and services	50
2. New cost function	51
3. Causes of concentration in shipping	54

III. IMPACTS	55
A. ARE ECONOMIES OF SCALE ACTUALLY BEING REALIZED?	55
1. Size improves financial results	55
2. Lower costs and lower freight-rates	57
B. ARE LINER SHIPPING COMPANIES' PROFITS DECLINING?.....	59
1. Not as bad as it seems.....	59
2. The reasons for lower freight-rates.....	61
C. IS THERE AN OVERCAPACITY IN LINER SHIPPING?	63
1. Different perceptions	63
2. Weaker rate-setting mechanisms	64
3. Competition on price, not on quality	65
4. Marginal pricing	65
5. Capacity expansion to achieve economies of scale	65
D. WILL FREIGHT-RATES FLUCTUATE MORE?.....	66
1. New supply function.....	66
2. Stronger responses to demand shifts.....	66
E. WILL ALLIANCES LAST?.....	68
1. Symmetry and asymmetry of interests	68
2. Mergers supersede alliances	68
F. WILL MAJOR CARRIERS CONTINUE TO EXPAND INTO NORTH-SOUTH MARKETS?	69
1. The need to fill large ships	69
2. The cascade effect	70
3. Regional developments.....	71
G. WILL THE PROPORTION OF TRANS-SHIPMENT CONTINUE TO INCREASE?.....	77
1. More port traffic, fewer ship miles	77
2. Winners and losers	77
H. WHICH PORTS WILL BECOME TRANS-SHIPMENT CENTRES?.....	79
1. Requirements for a trans-shipment centre	79
2. Trans-shipment without local cargo	80
3. Trans-shipment in developing regions.....	81
I. WHAT ARE THE OPTIONS FOR SMALL LINER OPERATORS?	82
J. WILL IMPORTERS, EXPORTERS, AND CONSUMERS BENEFIT?	83
K. WHAT ARE THE IMPLICATIONS FOR A MARITIME POLICY?	84
IV. CONCLUSIONS AND RECOMMENDATIONS.....	85
A. CONCLUSIONS.....	85
B. RECOMMENDATIONS.....	86
1. Liner shipping companies.....	86
2. Ports.....	87
3. Regulatory bodies	89
ANNEX: SERVICES OF MAJOR ALLIANCES.....	91
BIBLIOGRAPHY	94

LIST OF FIGURES

Largest container ships, in twenty-foot equivalent units (TEUs)	6
Top 20 container carriers, September 1996	10
Possible future scenario of multi-layered port calls	15
Top 20 container ports, 1997	18
Major shipbuilding countries	20
Growth of trade and cargo volumes	29
World containerised trade moves	30
Major container trades, 1994	30
Port container traffic by region	31
New orders for shipbuilding, all types of vessels	34
Economic growth rates in selected Latin American countries	35
Value of imports of selected Latin American countries	37
Value of exports of selected Latin American countries	37
The origin and destination of Panama Canal traffic for Latin American and Caribbean	38
Inbound container traffic forecasts for Latin America and the Caribbean	39
Outbound container traffic forecasts for Latin America and the Caribbean	40
Container traffic forecasts for Central America, by trading partner	41
Container traffic forecasts for the west coast of South America, by trading partner	41
Container traffic forecasts for the east coast of South America, by trading partner	42
The goals of regulation of maritime transport	46
The trade-off between economies of scale and the risk of anti-competitive behaviour	47
A shipping company's cost curve and the minimum-cost solution	53
Relation between financial success and indicators of size	58
Financial results of major carriers, 1996	60
United States government Bond yields	62
Freight-rate changes with short-term supply function	67
An example of Maersk's north-south and east-west services	70
An example of Hapag-Lloyd north-south and east-west services	70

EXECUTIVE SUMMARY

Concentration in ports and shipping

Concentration in the field of maritime transport means that relatively larger ports, shipping companies and their alliances are increasing their market share at the expense of the remaining smaller players. Although this process is not new, it has gained strength in recent years. The following figures describe this trend:

- The size of the largest container ships has almost tripled within the last two decades.
- Recent mergers and acquisitions have resulted in some very large liner shipping companies. The top 20 carriers now control more than half of the world's container slot capacity.
- Since the beginning of the 1990s, liner companies have begun to form global alliances. The largest ten groupings now control about two thirds of the world's container slot capacity.
- Containers are increasingly trans-shipped. Ports that provide trans-shipment services have experienced particularly high growth rates.
- In practically all other maritime industries, such as shipbuilding, open registries, seafaring personnel and container leasing, the market share of the largest suppliers has also increased.

Causes

Maritime transport is not the only industry undergoing a process of concentration. The two main motives for companies to merge and to form alliances are the desire to reduce unit costs (i.e., to achieve economies of scale) and to increase income (i.e., to gain greater market power). This is only possible up to a certain limit, and this limit has shifted toward fewer but larger commercial units. This document examines the possible causes for this shift from the following three perspectives:

- Economic background. Trade is growing faster than world GDP, and in spite of a reduction of transport costs per ton, the share of transport costs within the total costs of merchandise goods has gone up. Increasing demand and containerization have led to high growth rates for liner shipping. In itself, this is not a cause for mergers and alliances. However, this economic background has encouraged the development and use of new technologies, and it has caused many governments and regional organizations to change their attitude toward deregulation.
- Government regulation. Governments and regional organizations are attaching a greater priority to the promotion of trade through improved, less expensive transport services. They are also increasingly hesitant to protect national maritime industries. The attitude of governments and

their national cartel offices toward mergers and acquisitions has become less adverse because national players have to compete globally.

- Technologies. Under given factor prices, such as wages and interest rates, new technologies lead to a changing cost function. In ports and shipping, these changes include an increased proportion of fixed costs as compared to variable costs. This shift of the relation fixed costs/variable costs leads to increased scale economies. This, in turn, implies larger optimum company sizes and thus leads to a reduction of the number of players in the long-term market equilibrium.

Impacts

Concentration in ports and shipping largely results from the desire to achieve scale economies. Although this leads to fewer global players, competition on individual routes is actually increasing. Together, scale economies and increased competition have the following main impacts:

- Unit costs. Individual ports and shipping companies are able to reduce unit costs through economies of scale. However, this is achieved at the expense of overall lower freight-rates.
- Profits. In absolute terms, liner shipping companies' profits are increasing because of the growing market. In relative terms (i.e., return on investment), profits have been declining. Competition obliges carriers to pass on cost reductions to the shipper. If compared to the historically low interest rates, the return on investment is not as bad as some representatives of liner companies may think.
- Overcapacity. High fixed costs and weaker liner shipping conferences have led to a strong perception of overcapacity among many liner executives. Globally, such overcapacity does not exist. It may occur in the future if liner shipping companies continue to expand their capacity to reduce unit costs. The introduction of larger container carriers on the main east-west routes creates particular pressure in secondary markets because of the redeployment of medium-sized vessels.

Freight rate fluctuations. High fixed costs and the desire to gain and hold

预览已结束，完整报告链接和二维码如下：

https://www.yunbaogao.cn/report/index/report?reportId=5_3409

