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Liner alliances post-Gemini

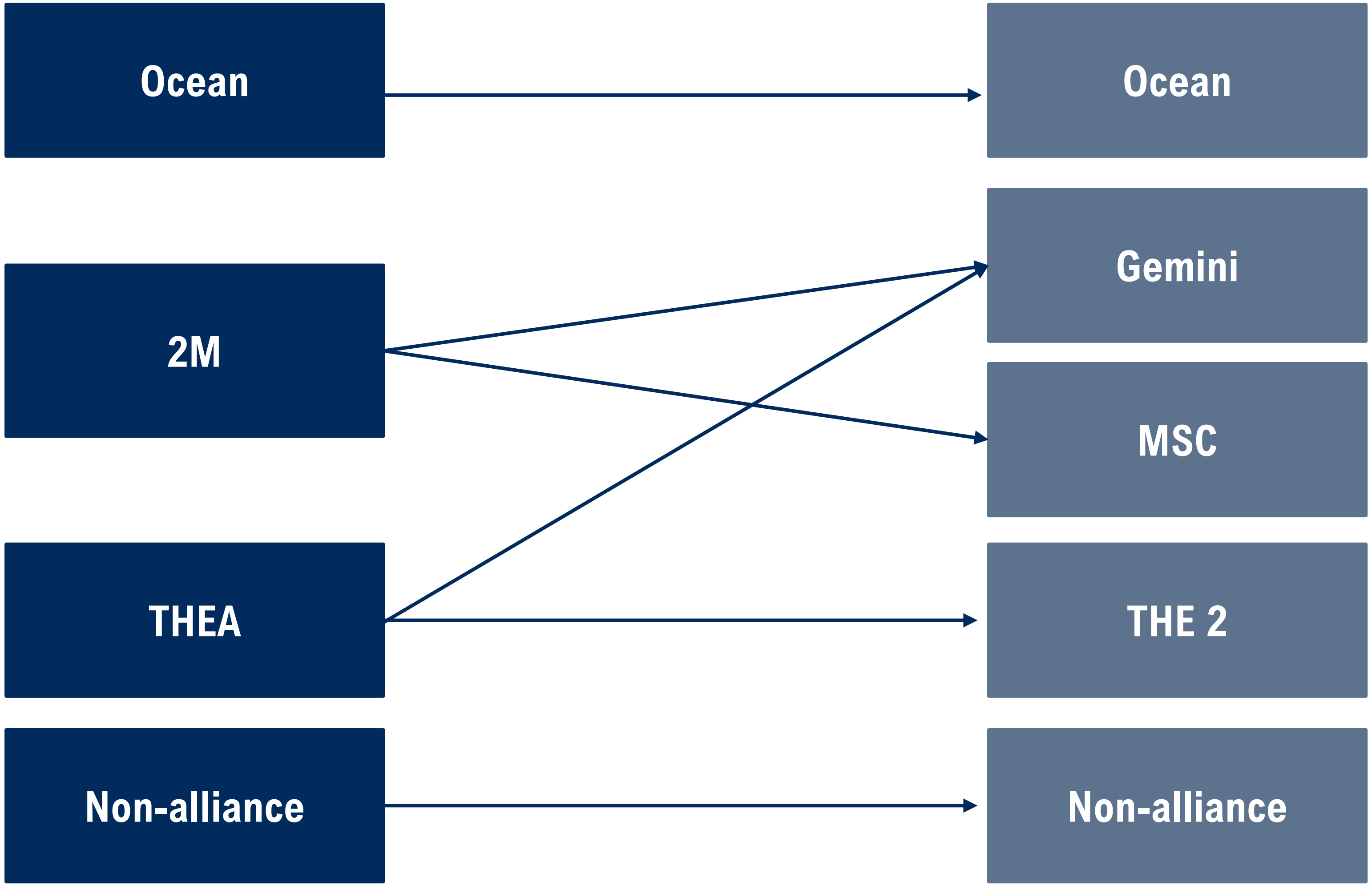
Future competitive positions

27th February, 2024

Maritime Advisors

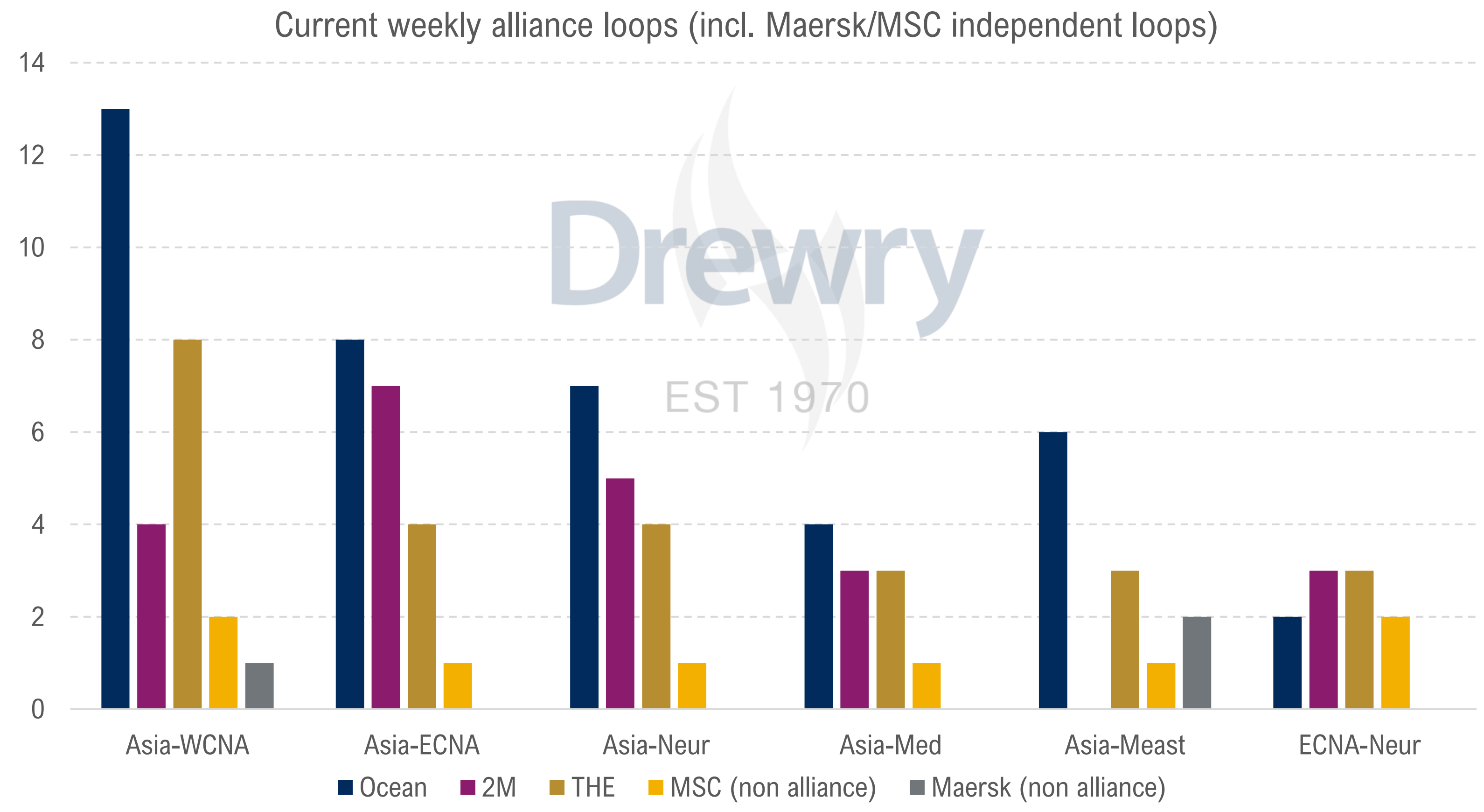
Presenters: Tim Power and Tony Mason

Alliances post-Gemini



Loops by alliance trade - current

Ocean has the largest number of loops on all E-W trades except Transatlantic. THE and 2M are close on Asia – Europe and Transatlantic trades. THE is stronger than 2M on Asia – USWC; 2M is stronger on Asia - ECNA



- 122 weekly loops East-West trades
- Asia – WCNA: 38; Asia- ECNA: 22; Asia – North Europe: 17; Asia – Med: 12; Asia – Middle East: 19; North Europe-ECNA: 14
- Alliances deploy 87 loops: Ocean – 40; 2M – 22; THE – 25. Non alliance deploy 24 loops
- Ocean has the largest number of loops on all E-W trades except Transatlantic
- THE and 2M are close on Asia – Europe and Transatlantic trades.
- THE is stronger than 2M on Asia – USWC; 2M is stronger on Asia – ECNA
- Maersk and MSC operate independently on the Asia-Middle East trade
- MSC operates a number of loops outside 2M in these trades

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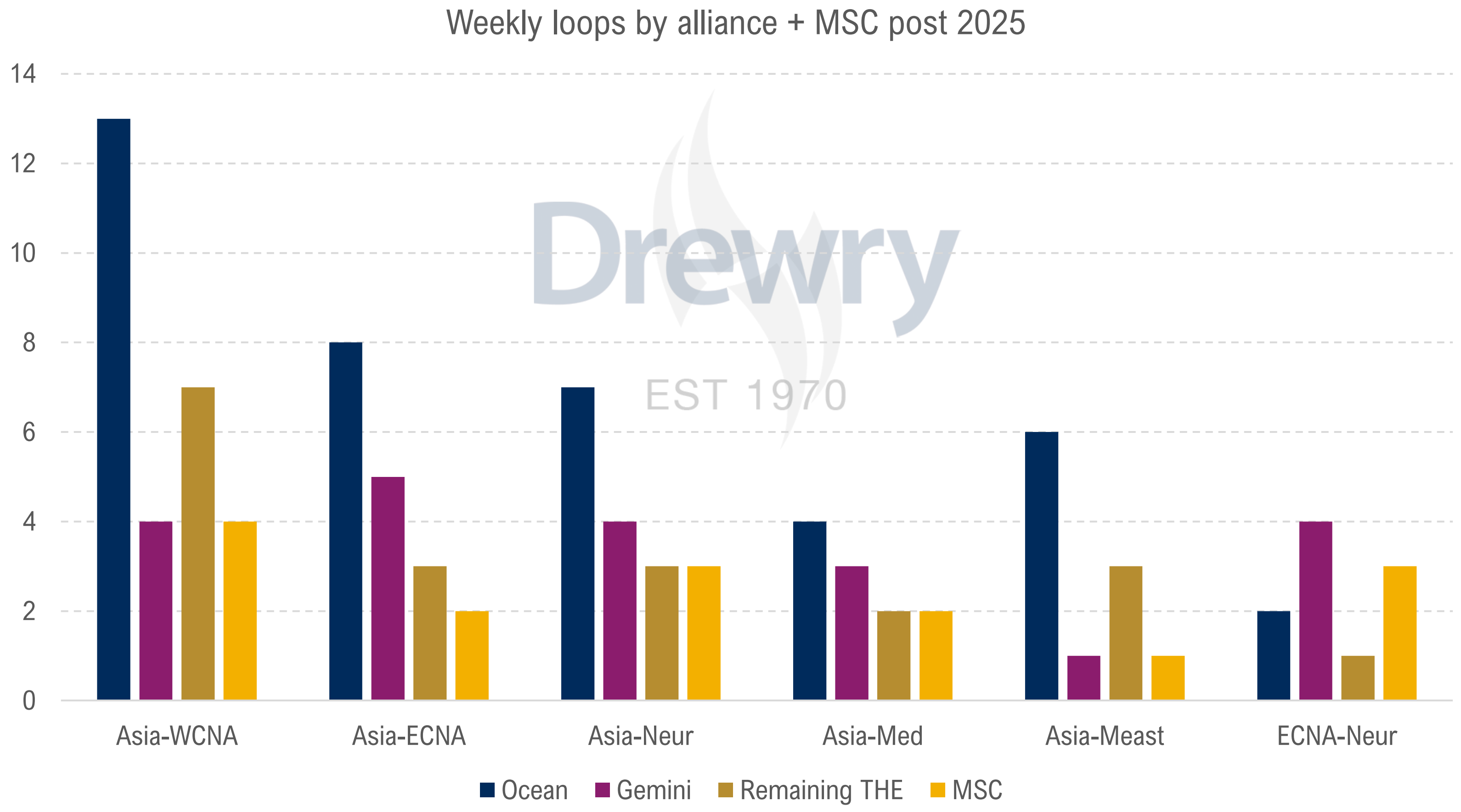
Loops by alliance trade – post Gemini

As a result of the realignment of 2M and THE lines, Ocean's relative position becomes stronger. Gemini has largest number of loops on Transatlantic and second largest on three other lanes. Remaining THE has more loops than Gemini on Asia-WCNA and Asia – Middle East



- Alliances and MSC will deploy 95 loops:
  - Ocean: 40
  - Gemini: 21
  - THE: 19
  - MSC: 15
- Ocean has the largest number of loops on all E-W trades except Transatlantic.
- Gemini ranks second on all trades except Asia-WCNA and Asia-Middle East, where Remaining THE is in second place.
- Remaining THE ranks behind MSC only on Transatlantic

Note:

Drewry's model of post-Gemini (2025) loops is based on:

- Actual loops to be deployed by Gemini, as per press announcement
- Vessels/capacities presently deployed by MSC and Remaining THE lines continue to be deployed in the same trades as currently

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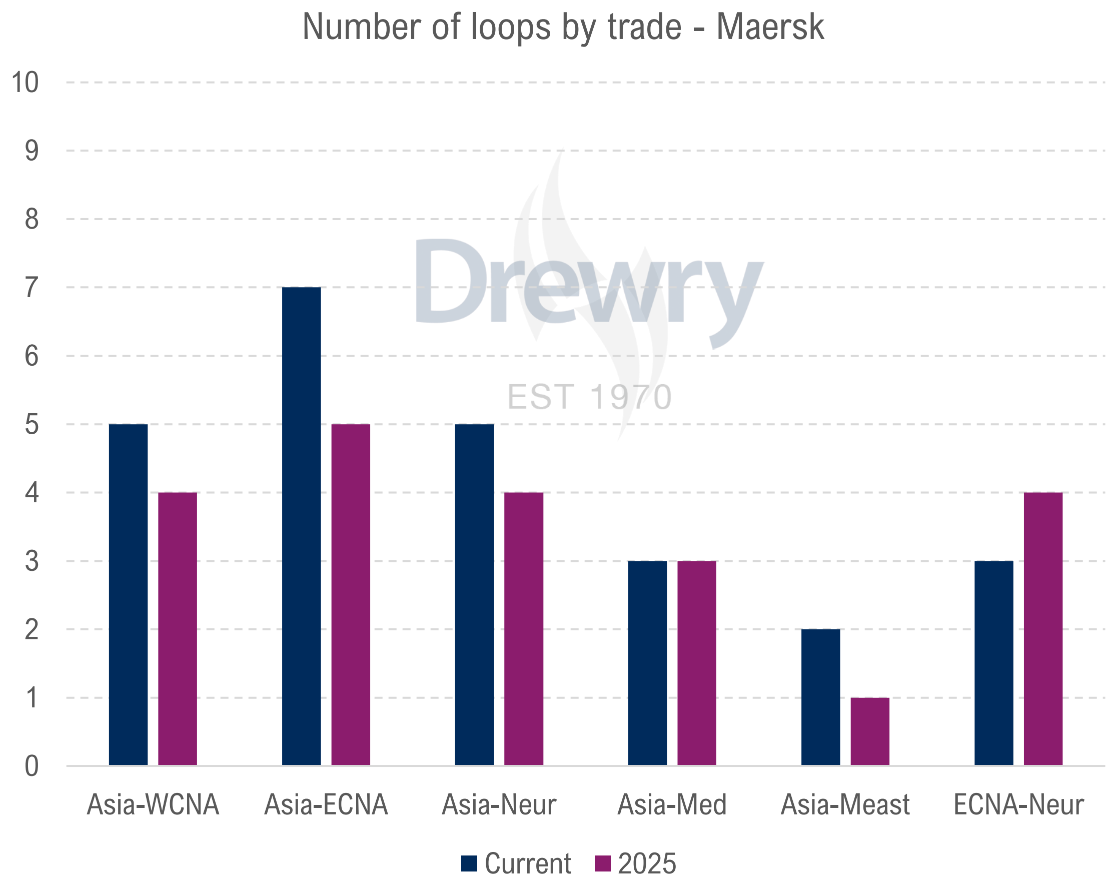
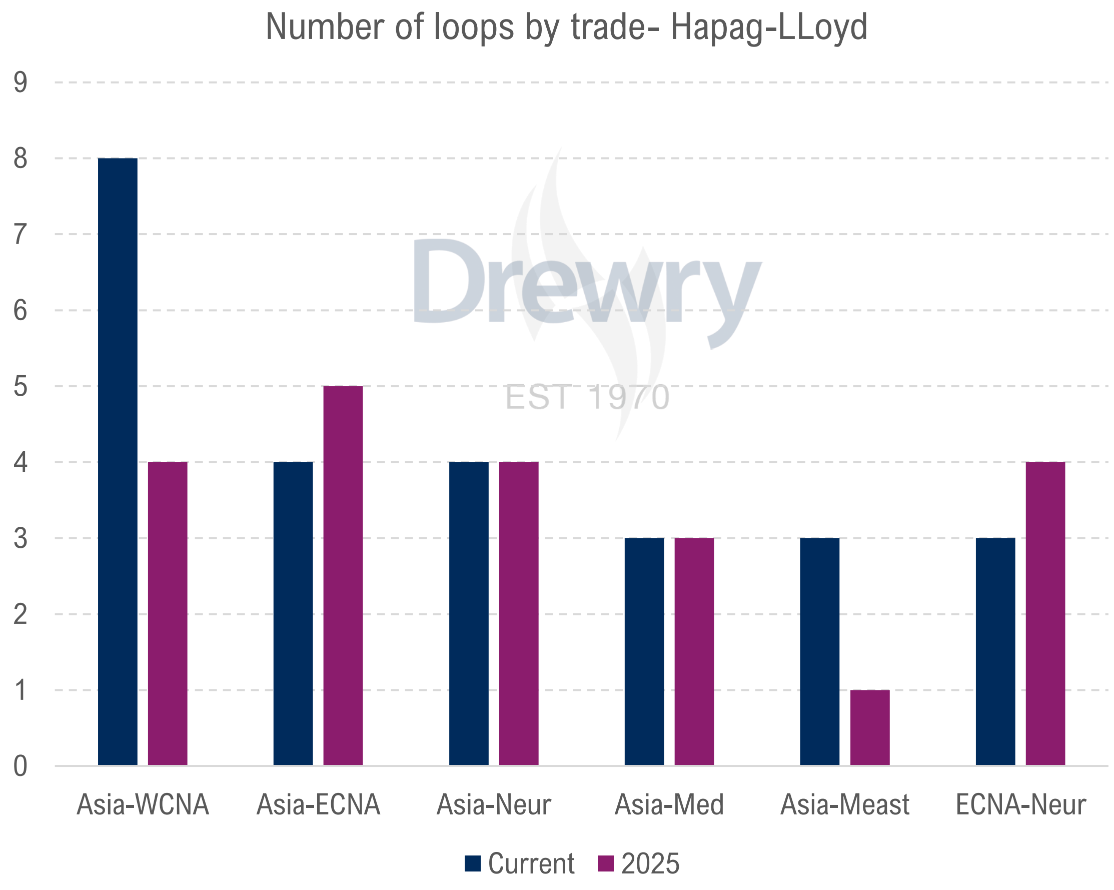
Changes in weekly loops – Maersk and Hapag-Lloyd

The number of loops marketed by Maersk will reduce in some trades post Gemini, though it will be significantly better off than had it operated independently; Hapag-Lloyd has some gains and losses, with its greatest reduction in access to loops on the Asia-WCNA trade





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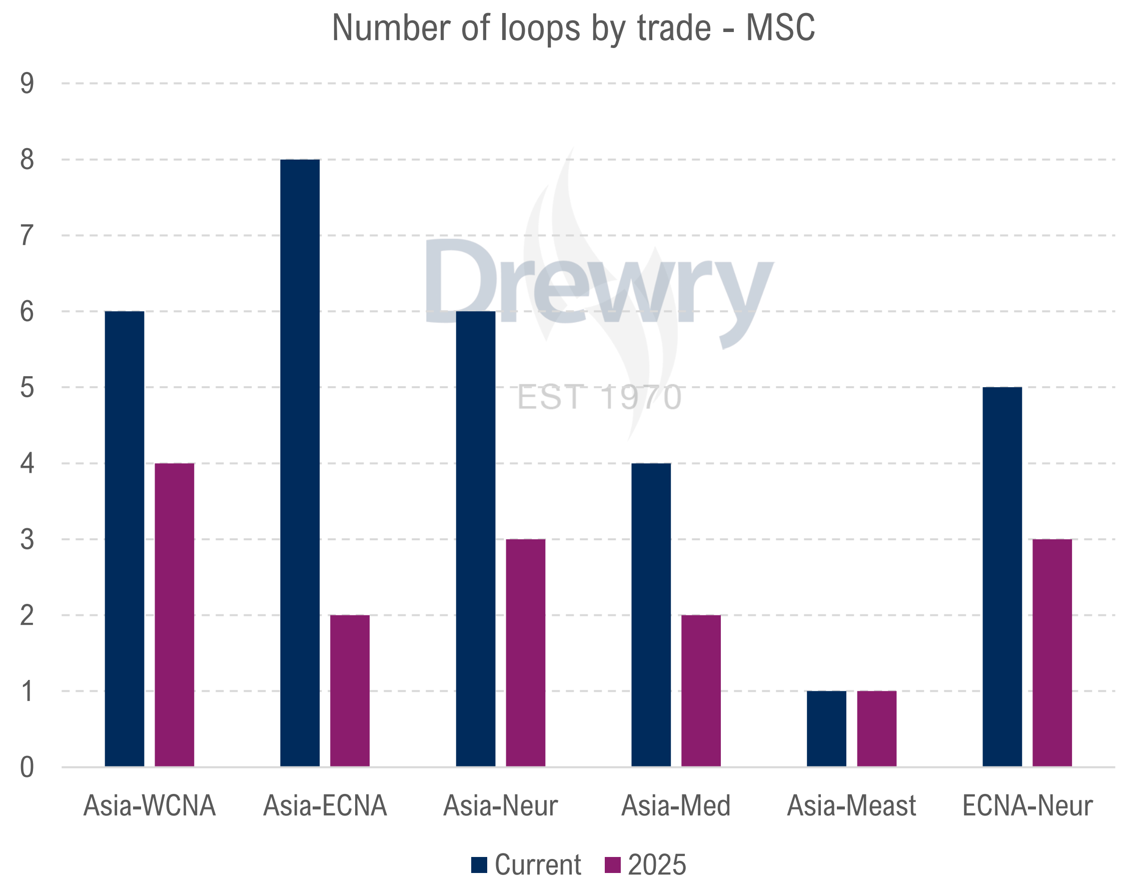
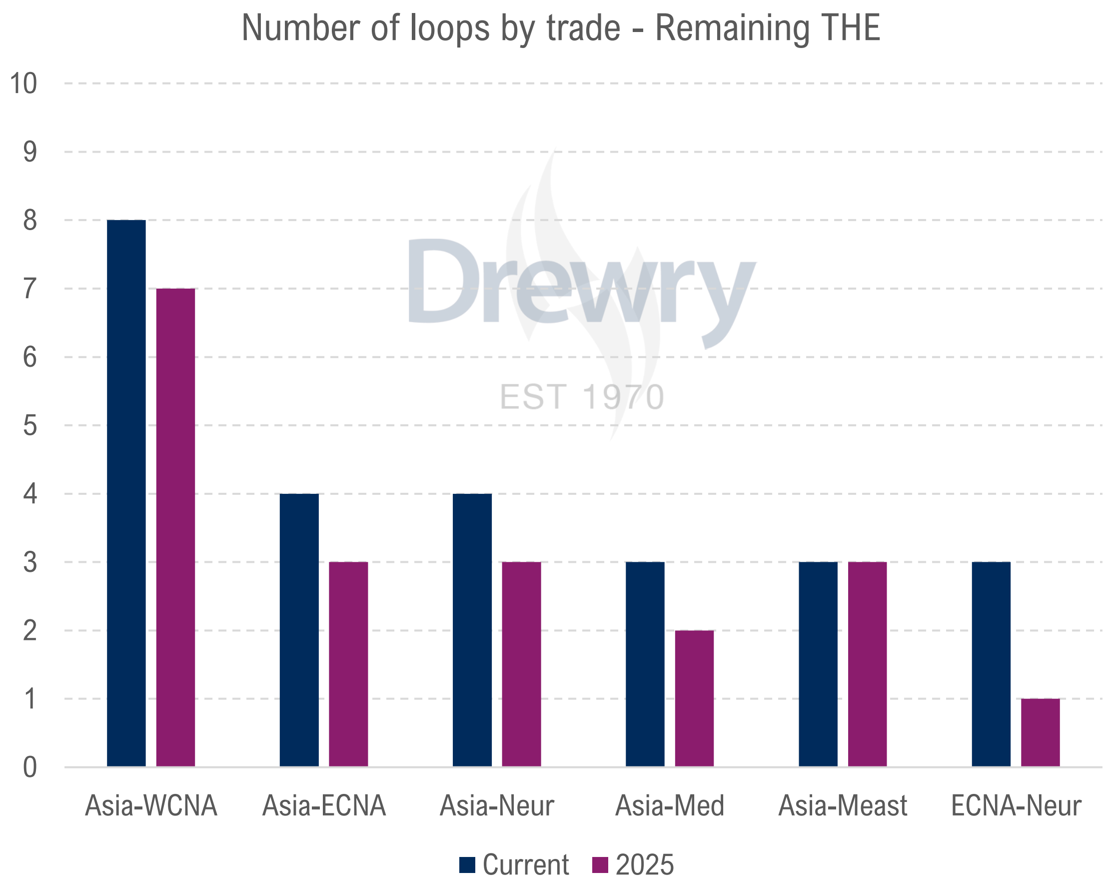
Changes in weekly loops – MSC and Remaining THE

MSC has the greatest reduction in the number of loops, though this is mitigated by the independent loops which it has already launched outside 2M; The most significant loop reduction for Remaining THE is in the Transatlantic trade





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Gemini network aims and approach

Focus

- Improved schedule reliability, competitive coverage and transit times and accelerated decarbonization
- Deliver a flexible, robust and interconnected network with industry-leading reliability

Specific aims

- On-time delivery – punctuality
- Cost competitiveness – active cost and capacity management
- Emissions reduction

Approach

- Shared ambition and strategic alignment around Quality and Sustainability
- Efficient network at scale with joint hub and spoke operating model
- Terminal access in key locations
- Only two partners with similar business culture

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Gemini hub and spoke operation

Coverage, service frequency and mainline vessel productivity will be maintained by extensive use of transhipment. Hapag-Lloyd and Maersk believe that control of key hubs will also deliver reliability.

- Setup with 2-3 main port calls per region including strategic hubs will enable shorter round voyage times and better reliability
- All hub terminals are owned and / or controlled by Hapag-Lloyd or Maersk (except Singapore and Cartagena) and have been carefully selected for top quality and reliability
- Hub & spoke with multiple shuttles will provide wide coverage and fast connections
- Connections from mainliners to mainliners and to shuttles will be synchronized to significantly reduce dwell times

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Gemini shuttle concept

Gemini proposes to increase reliability and maintain port coverage by extensive use of shuttles and transhipment. In Asia, only Shanghai has a direct call on all trades

Ports/Country	Asia-North Europe	Asia-Med	Asia-ECNA	Asia-WCNA	Asia-ME
Japan	shuttle	shuttle	shuttle	1	shuttle
Busan	shuttle	shuttle	1	3	1
Dalian	shuttle	shuttle	shuttle	shuttle	shuttle
Xingang	shuttle	shuttle	shuttle	shuttle	shuttle
Qingdao	1	shuttle	shuttle	1	shuttle
Shanghai	3	2	3	3	1
Ningbo	2	1	2	2	shuttle
Xiamen	shuttle	shuttle	shuttle	shuttle	shuttle
Yantian	2	2	4	2	shuttle
Nansha	shuttle	shuttle	1	1	shuttle
Hong Kong	other	other	other	other	other
Vietnam	shuttle	shuttle	3	1	shuttle
Thailand	shuttle	shuttle	shuttle	shuttle	shuttle
Taiwan	other	other	other	other	other
SE Asia Hub	4	3	2	shuttle	1

- Gemini will reduce mainline direct calls to improve reliability
- It makes extensive use of shuttle and transhipment to maintain port coverage
- In Asia, only major Chinese ports and Tanjung Pelepas will have a high level of direct calls
- Ports that are of particular or growing importance in the N. America trade (Busan and Vietnam) retain direct calls
- Success will depend on the reliability achieved by this system, acceptance by customers and unit costs generated

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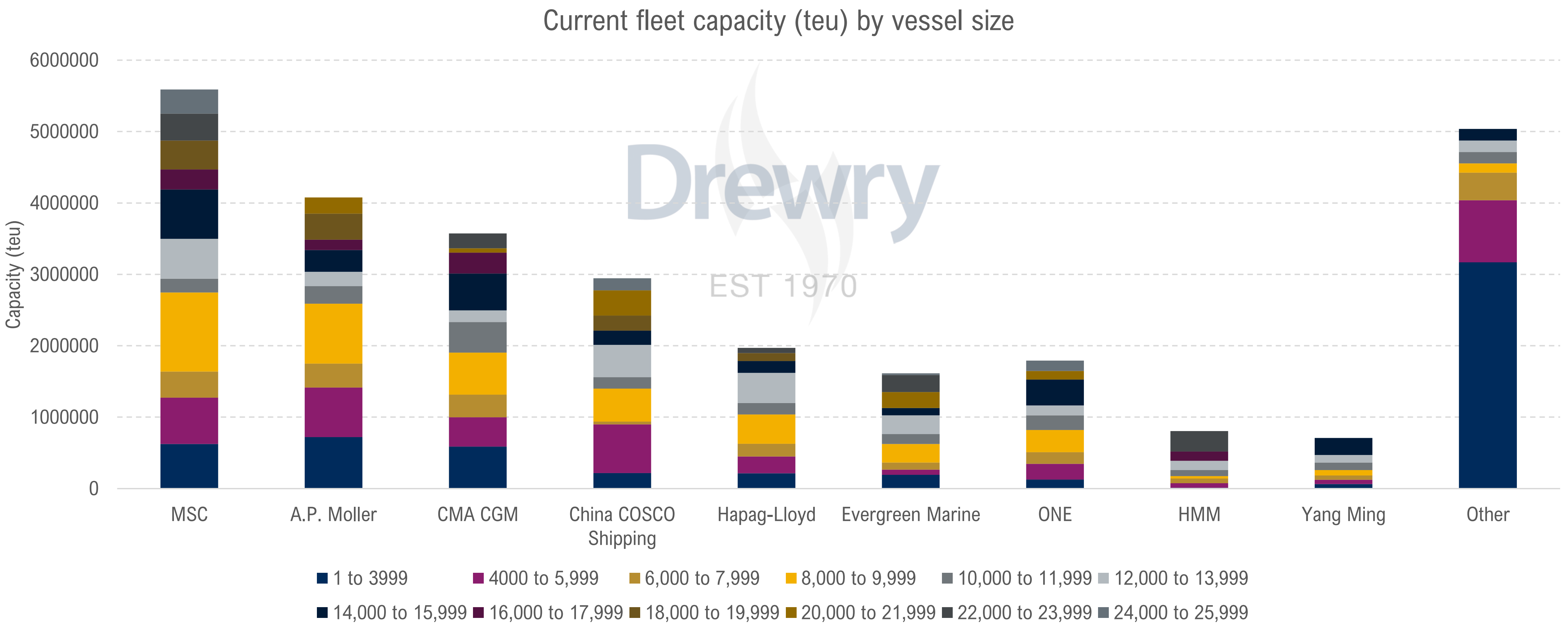
Current fleet

Fleet sizes and rankings have changed significantly. MSC has the largest fleet overall and more large vessel capacity. Maersk is the second largest carrier in terms of standing capacity. HL overall standing capacity is approximately 50% of Maersk's.



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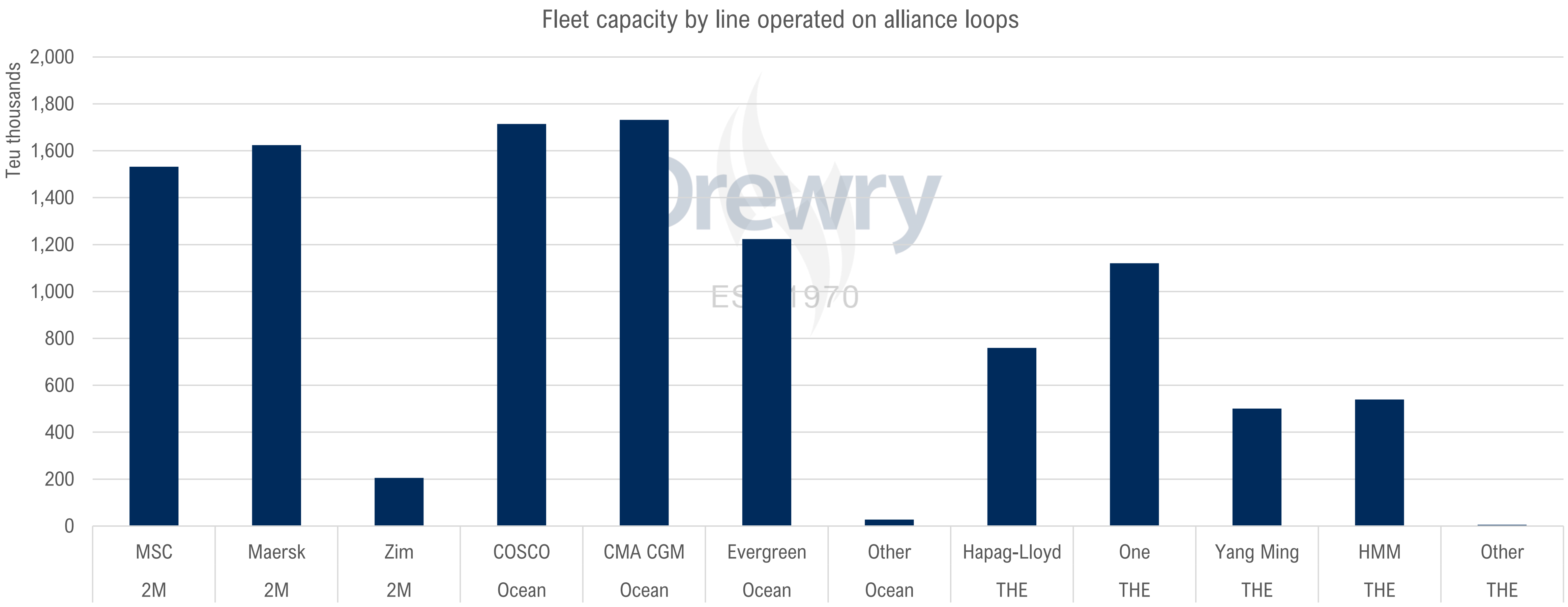
Alliance fleet

MSC and Maersk have similar tonnage deployed in 2M, though post 2M break up, MSC's position will change when it incorporates its non alliance loops, as well as deploying new buildings. ONE is actually the major tonnage provider in THE.



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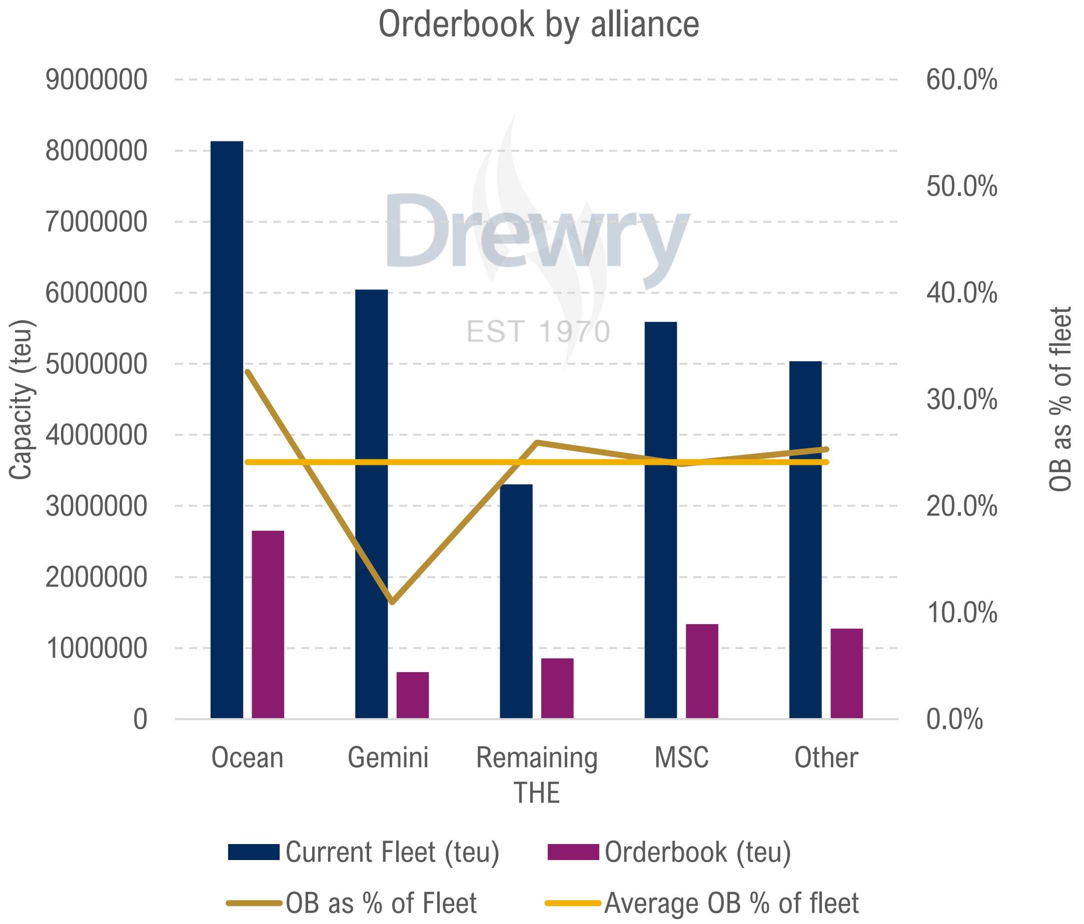
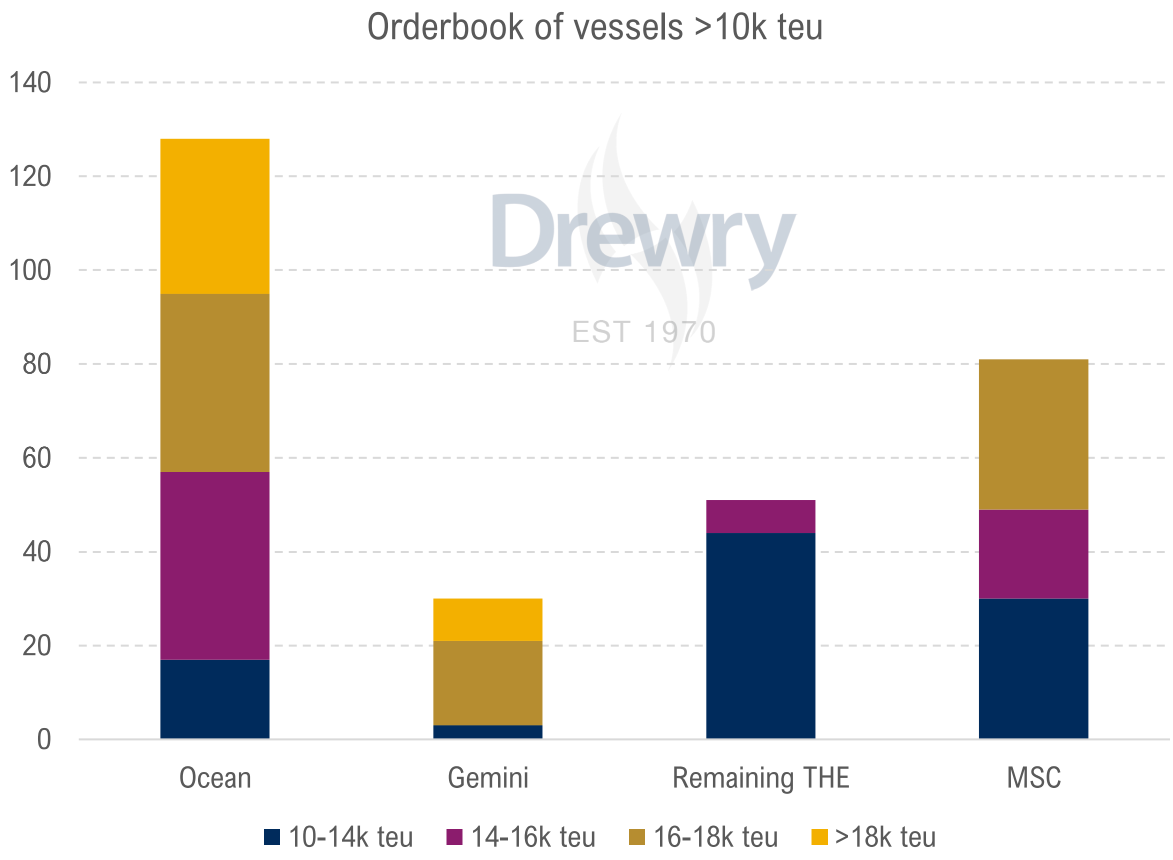
Orderbook

The current orderbook equates to 24.1% of the operated fleet; segmented by alliance, the Ocean lines have a higher proportion of order book to current fleet, while Gemini lines are well below the average; MSC and Remaining THE are close to the average; for the larger vessel sizes most suited to alliance trades, Ocean are best placed, followed by MSC; remaining THE lines have few vessels >14 kteu on order.





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Orderbook deployment

In its orderbook, MSC has 29 vessels >16,000 teu for delivery by end 2025; potential to add 3 new E-W loops. Remaining THE lines have no vessels >16,000 teu. Its orderbook could be deployed in the Transpacific.

MSC

- 29 vessels >16,000 teu for delivery before end 2025
- Opportunity to launch 3 new E-W loops by 2025
- Vessels of 14-16,000 teu that could be deployed on Transpacific or on a wide range of other trades

THEA

- Lines have smaller vessels in their orderbooks (10 – 14,000 teu)
- Could be deployed in the Transpacific
- No orders of vessels >16,000 teu

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Opportunities to increase the number of weekly loops – MSC and Remaining THE

Following the announcement of the Gemini alliance, MSC and Remaining THE may well be considering opportunities to enhance their service offerings, in comparison to both Ocean alliance, and the new Gemini offering. New cooperations may assist.

VSA – trade specific; various potential partners	Slot swaps	Trade by trade cooperation MSC – THE lines

Transpacific trade

- Possible candidates for cooperation are Wan Hai and Zim
- Zim loses its present Asia-ECNA co-operation with 2M; might be interested in continuing a partnership with MSC
- Wan Hai has both West & East coast loops, including a new service with ONE, which could turn into a partnership with remaining THE

Asia-Europe trade

- No independent candidates

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Summary

- ✓ Ocean has the largest network and highest number of loops
- ✓ Ocean has the largest big ship orderbook
- ✓ Gemini has enough loops and frequency in most trades
- ✓ Gemini depends on the reliability of its shuttle and transhipment operation
- ✓ Gemini is particularly helpful to Maersk in securing service coverage and frequency
- ✓ Based on existing fleet, MSC sees the biggest immediate reduction in loops but has large vessel newbuilds to add more loops
- ✓ Remaining THE sees loop numbers drop in Asia – Europe and does not have the orderbook to add large ship loops
- ✓ VSA-type cooperation between MSC and Remaining THE could be mutually beneficial

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Key questions

Port coverage	Service frequency	Transit times	Unit costs	Reliability

- Will customers prefer direct vs. transhipment?
- Will Ocean's higher number of loops, direct coverage and frequency give its members a significant service advantage?
- Will Gemini shuttle and transhipment deliver high reliability in practice? Will transit times be extended to ensure reliability?
- Will the combination of direct coverage with a fleet of large vessels give Ocean an advantage in unit costs?
- Will Gemini shuttle and transhipment deliver competitive unit costs?
- Will MSC and the Remaining THE lines make significant changes in order to compete with Ocean/Gemini?

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