



**Kuehne + Nagel**

**Alain Cohen**

**Directeur Maritime / Head of Seafreight - France**



## Reporting



# Shipped FCL Volume in 2015 = more than 3,8 Mio TEU

## Transpacific

Shipped Volume  
eb / wb  
> 600.000 TEU

## Transatlantic

Shipped Volume  
eb / wb  
> 460.000 TEU

## Europe - Asia/Australia

Shipped Volume  
eb / wb  
> 1.325.000 TEU

Eastbound

Westbound

Eastbound

Westbound

Eastbound

Westbound

Northbound

Southbound

## Intra Asia

Shipped Volume  
> 325.000 TEU

## Middle East

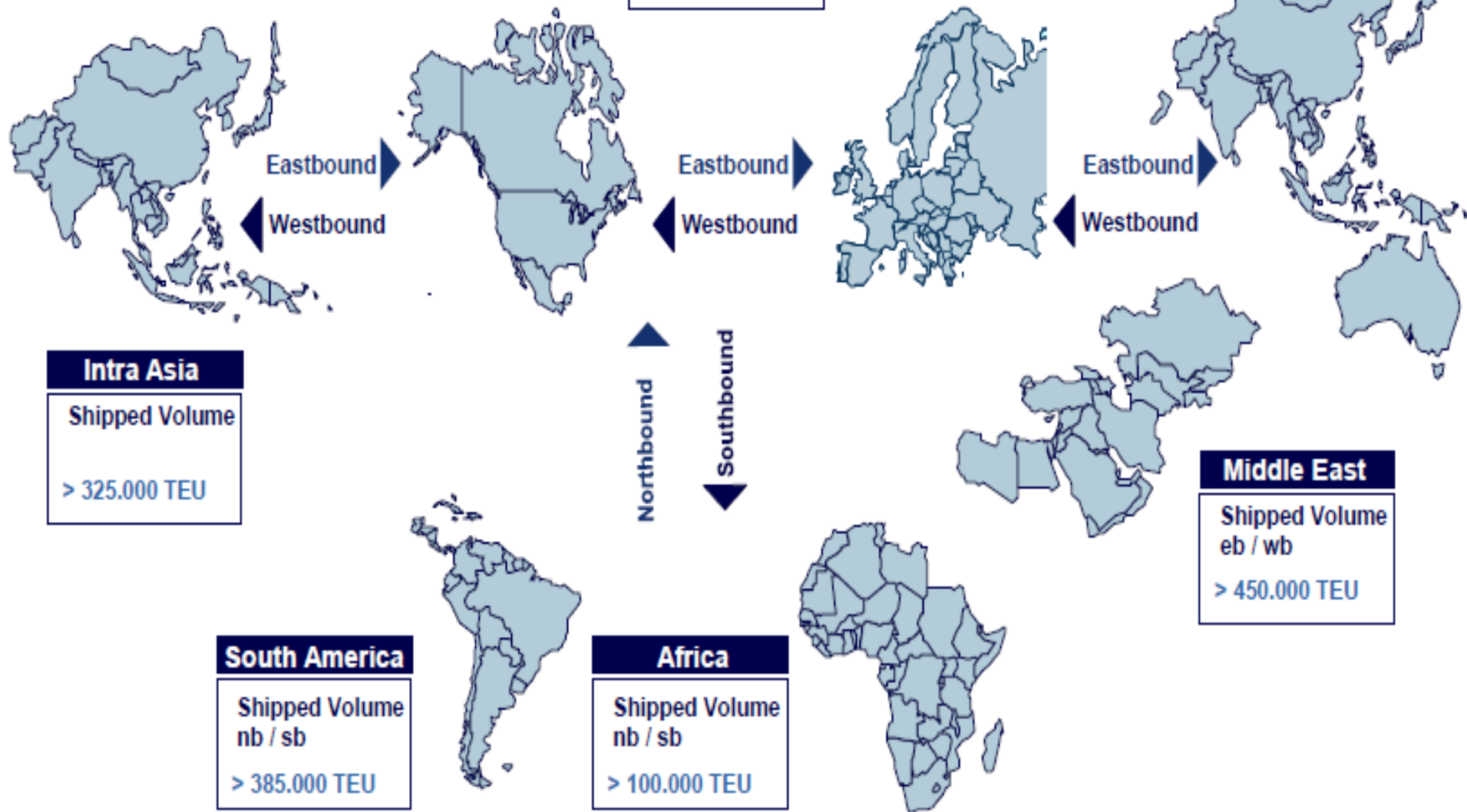
Shipped Volume  
eb / wb  
> 450.000 TEU

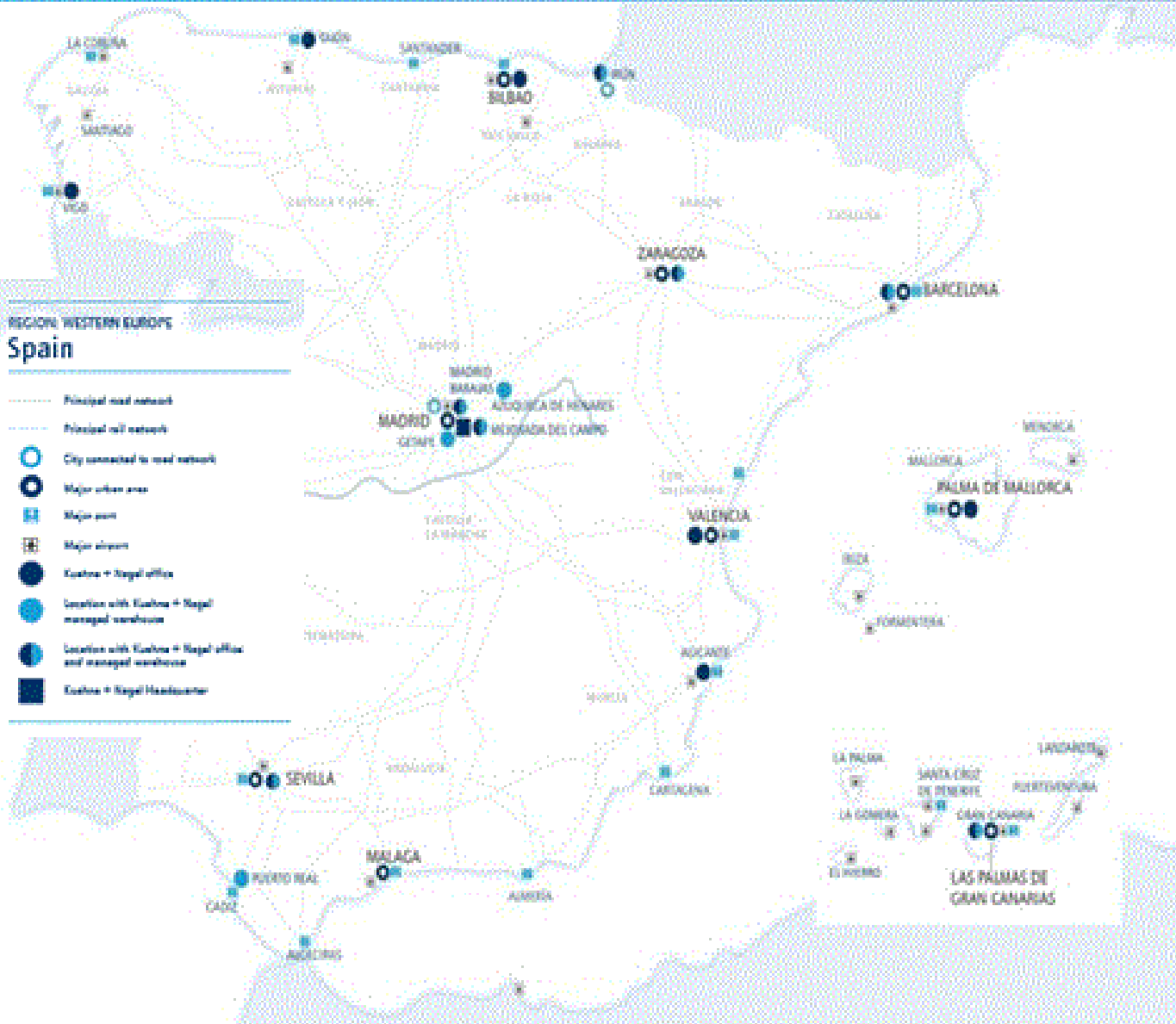
## South America

Shipped Volume  
nb / sb  
> 385.000 TEU

## Africa

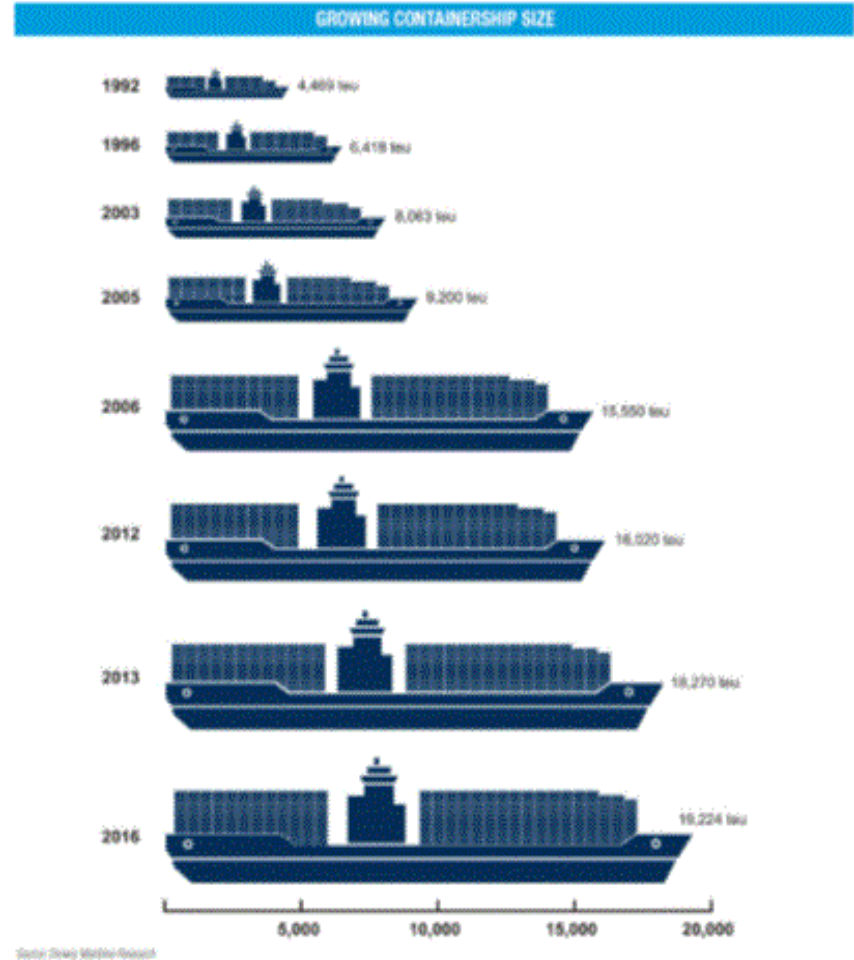
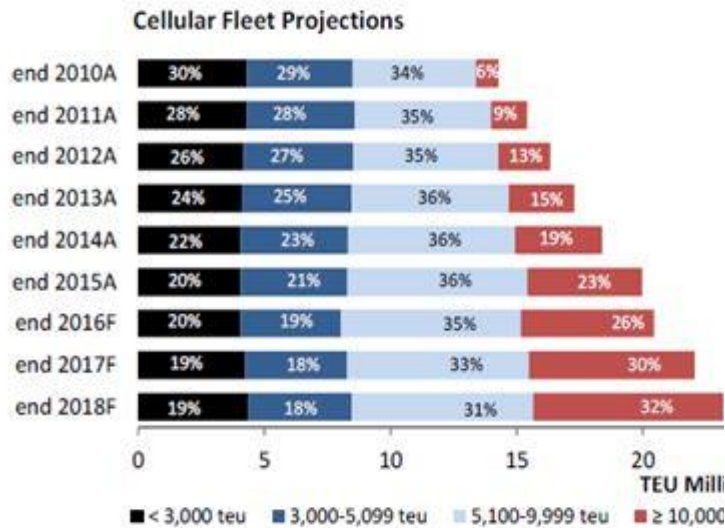
Shipped Volume  
nb / sb  
> 100.000 TEU





## Kuehne + Nagel Spain

- **Employees** 1.600
- **Locations** 23
- **Warehouse** ≈242.000 m<sup>2</sup>
- **HQ** Madrid

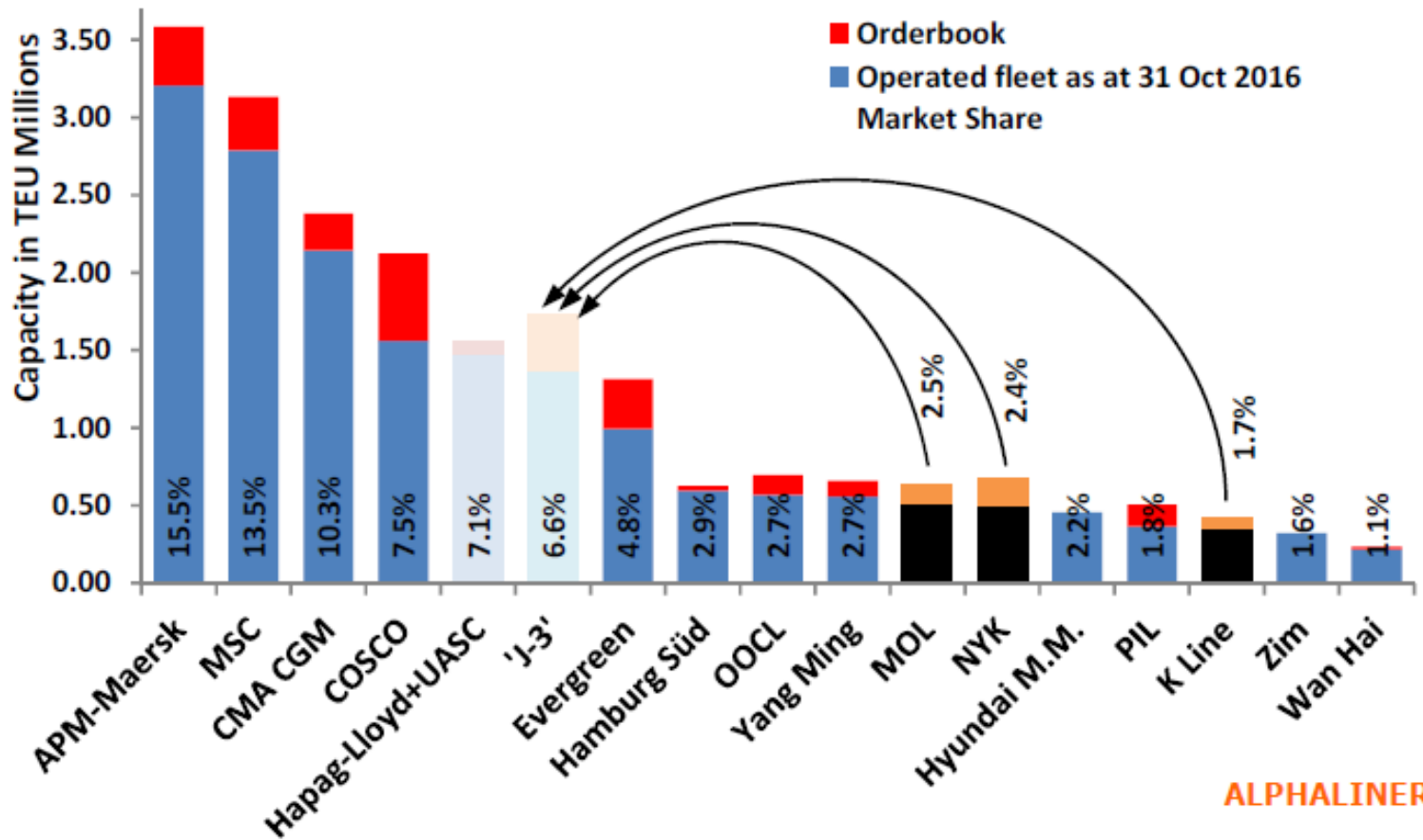


**Some carrier are even turning 18 000 teus in 20 000 Teus**



In the meantime carriers continue to merge.

There will only be 14 global carriers in 2018





And collaborate in new Alliances.

East-West Trades – today 4 Alliances

the twilight zone: post merger – pre alliance revamp

TODAY



Shake up in 2017 – 3 Alliances left – fewer carriers

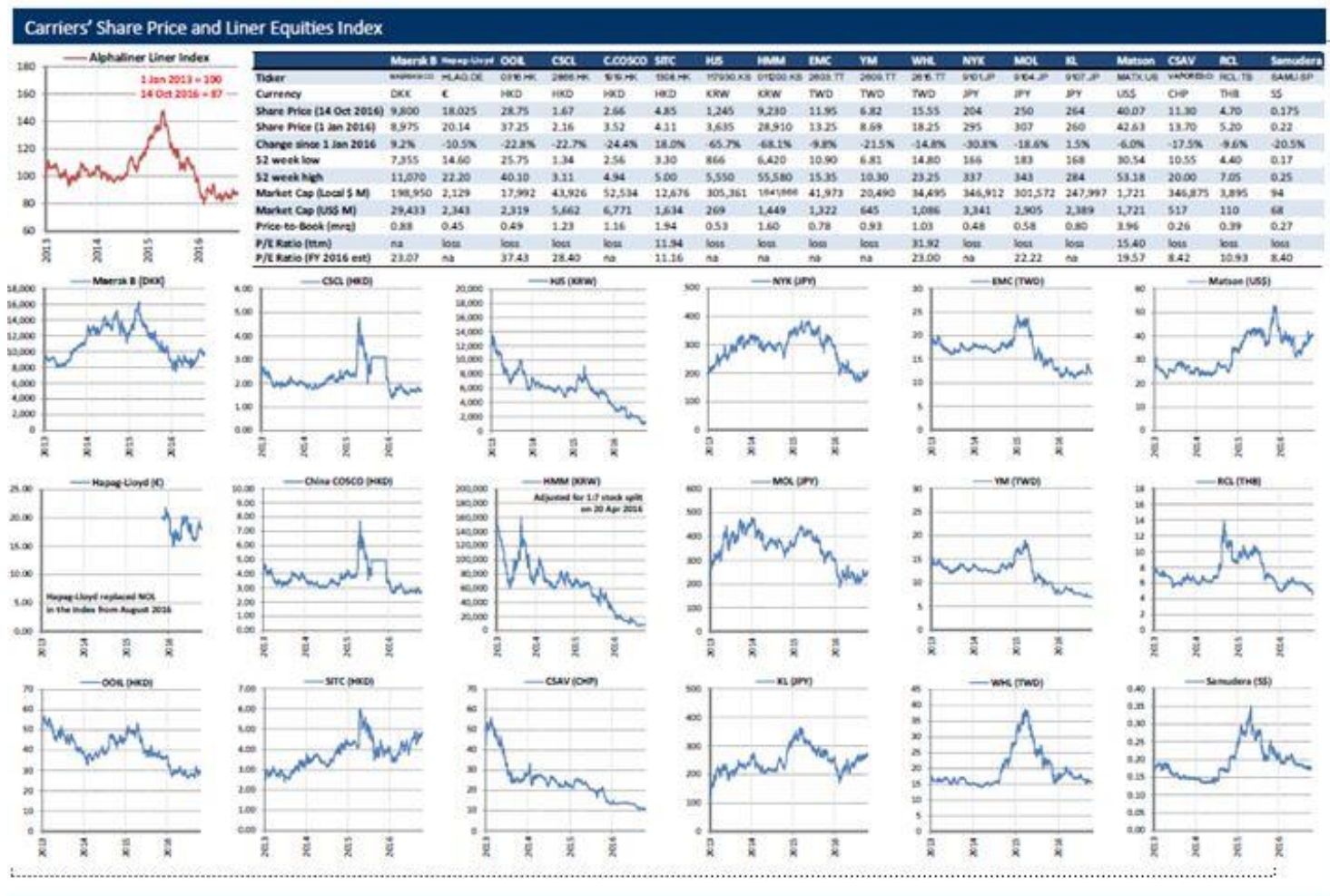
2017



In addition to these capacity increases:  
Lower tariffs, Lower average profitability



## Living difficult economics situation



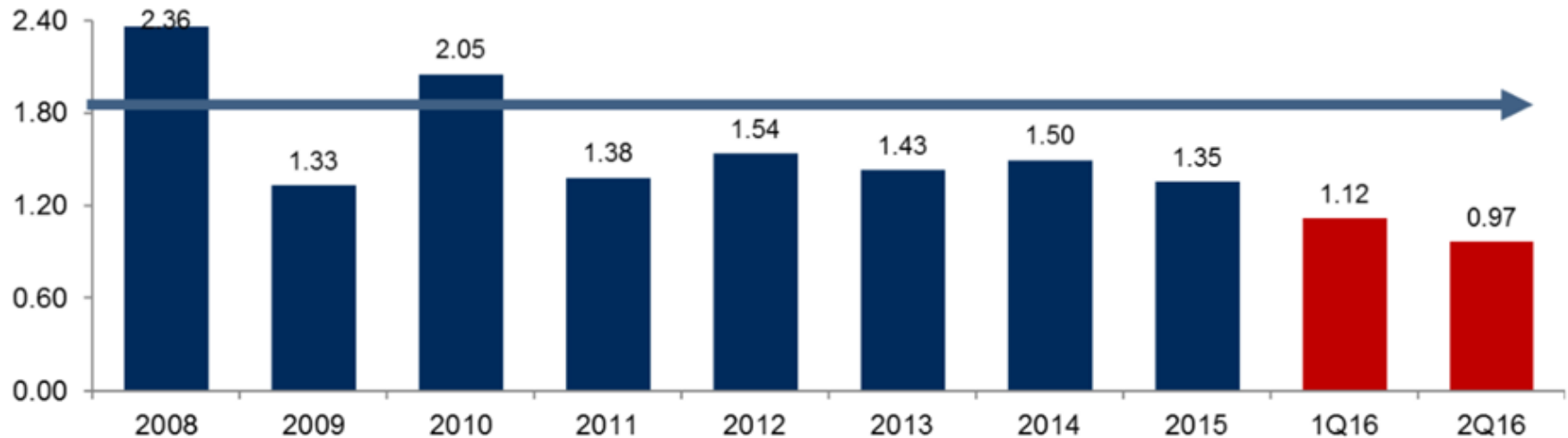




## Container Shipping – A financial health check

### Red alert: risk of carrier failure is still high

#### Industry Z-Score, cumulative



Source: Drewry's Sea & Air Shipper Insight ([www.drewry.co.uk](http://www.drewry.co.uk))

Drewry's Z-Score Freight Operators' Financial Stress Index shows that most carriers are in the distressed zone.

- The industry is still a long way from stability, as it remains well within the distress zone (Altman Z-scores below 1.81).
- Container shipping has not seen a score above 2.99 (which indicates safe from bankruptcy risk) in the last eight years.

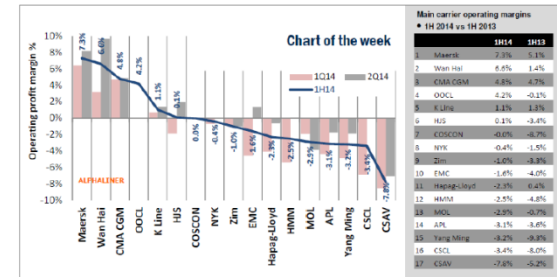


# In a 2014 MedPort conference in Genoa a speaker was reporting the following

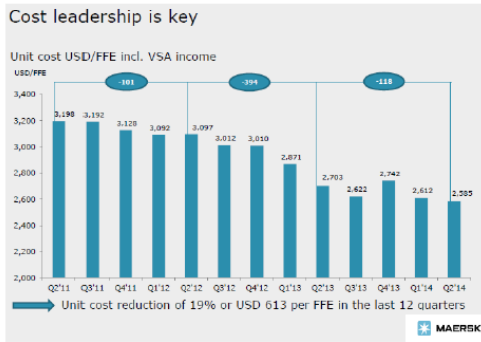
## Asia-Europe freight rates fluctuations Volatility to stay

- Direct Relationship between Carriers' Margins and FEWB rates
- Rate volatility as an effective measure to improve/control results
- Monthly increases followed by weekly drops
- GRIs driven by “financials” and not necessarily by supply/demand

The NEW normal  
Operating Profit Margin 1H 2014 vs 1H 2013 by Carrier



Source: Alphaliner, September 2014



- Slow steaming
- Larger Vessels
- Retrofitting (bulbous bow)
- Less Charters
- Alliances

- Ordering/Deployment of larger vessel (3rd generation of “VLCS”)
- Development will go on / Vessel designs up to 22.000 TEU
- Cascading effects
- Infrastructural issues (global and local)

“Only the Carriers who are able to operate at optimized costs will sustain in global markets”

Source: Maersk Line Investor Conference Q2 2014



## Predicting the following:

### Impacts on MED container operations

Consequences / Impacts

---

- Overcapacity to stay
  - Rate will be kept volatile for financial reasons
  - Cost per Slot race will continue
  - New Ship Gigantism push global infrastructure to grow/improve
  - Med «old» countries not favored
  - Smaller ports NOT Direct anymore (es. Livorno, Napoli)
  - Services operated with «small» vessels to give up (es. MD3 or PSI)
  - More Transhipments : longer transit & lead times, less reliability
- 



WE DEFINITELY NEED TO « CHANGE THE PARADIGM » OF THE CONTAINER SHIPPING INDUSTRY

CAN THE PORT AUTHORITIES TAKE A LEAD ON THIS?



Some ideas have already been shared in the past.....

## What if...

---

- Modern/efficient Terminals, Customs, Roads, Tunnels etc...in the MED ?
  - Gioia Tauro better connected to North Italy and to Central Europe ?
  - Fos improve cargo connections to Central France ?
  - Trieste/Koper improve Rail connection to Central / Eastern Europe ?
  - Fast trains uniformed across the countries ?
  - ...or Genoa Airport being transformed in the largest Med Port ?
- 

...will be the MED still less competitive than the NE ?



How can Med Ports be  
stronger together ??



## Our way forward

- What is our objective today? Is it common? Are we competing against ourselves?
- And how can we translate our ambitions into an effective strategy, leading to concrete decisions and actions?
- What are the major ports' answers to the shipping lines needs?



Each party should perhaps look beyond it's own current perimeter

While rail corridors from Asia to Europe are emerging, Med Ports also have a great potential

- Direct access to main market after Suez Canal with shorter Transit times
- Deep sea facilities
- Rail connections capabilities to be developed.
- Intra Med Short sea connections.
- Foncier resources for further expansion.
- Capability in IT / PCS systems

etc etc.....

**Could Med Ports become the first entrance door to the continental Europe?**



Let's move on

---