

### Press Report - IHS

#### Consolidation to continue in container sector, says McKinsey

Xiaolin Zeng, east Asia correspondent | 28 April 2017



Further consolidation in container shipping needs to continue as a step towards recovery. Credit: Dietmar Hasenpusch

Consolidation is expected to continue in the container shipping industry, an industry conference in Singapore heard on Thursday, 27 April.

Speaking at Moore Stephens' Singapore Shipping Forum, McKinsey & Co's head of shipping, Steve Saxon said, "There has been an absolute flurry of container mergers over the last two to three years. Eight of the top 20 container shipping lines have of three years ago no longer exist."

CMA CGM acquired APL last year while Japan's Big Three lines – Mitsui OSK Lines, NYK Line, and 'K' Line – will merge their container operations in 2018. A merger between Hapag-

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Lloyd and United Arab Shipping Company is pending while Maersk recently acquired Hamburg Sud.

Years ago, Hapag-Lloyd had acquired Chilean carriers, CSAV and CCNI.

Hanjin Shipping, once South Korea's largest shipping line, was declared bankrupt on 17 February after succumbing to massive debt.

The wave of consolidation has made the industry more concentrated and Saxon noted that the top five container lines now have a combined market share of more than 60%.

Of this market share, Saxon said, "This is double of what they controlled 20 years ago. Large container lines do make more money too. There are real economies of scale in this business, from the network effect from being able to connect cargoes around the world. There are also significant synergies in container mergers. We don't, however, believe that the recent consolidation is going to be enough. If you look at the share, it is still not sufficiently concentrated and the industry is likely to continue to see significant overcapacity because of the orderbook. Strong profitability is going to remain elusive.

"We are working with several container lines and there is a need for an industry-wide strategy. You need to prepare for the next wave of consolidation."

Alphaliner statistics show that the five largest mainline operators, Maersk Line, Mediterranean Shipping Company, CMA CGM, Evergreen, and COSCO China Shipping, now have a total fleet of 11.2 million teu.

Container trade growth remains healthy, at 3% per annum. Trade is expected to reach 188 million teu in 2017, up from 182 million teu in 2016.