Creating Global Opportunities

Today’s trade is global. A company can choose to have its headquarters in one part of the world, its production facilities in another, and sell its brands in all markets. Since the first sea-borne container transport took place in 1956, the shipping industry has been one of the main facilitators of the globalisation of trade. This book traces the rise to prominence of Maersk Line – the world’s leading container operator – and the internal decision-making processes that lay behind the firm’s extraordinary expansion between 1973 and 2013, and puts this into the context of globalisation. With unprecedented access to company archives, interviews with current and former employees, and extensive statistical information provided by The Economist Intelligence Unit, Containerisation International and Lloyd’s Register, this is a valuable resource for students of logistics, shipping or international business. This first inside account of the challenges of building a global business will also appeal to industry specialists and the general business reader.

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Creating Global Opportunities
Maersk Line in Containerisation
1973–2013

Chris Jephson and
Henning Morgen
To Maersk Line’s customers, the memory of Mærsk Mc-Kinney Møller and countless others who made this whole story possible.
Contents

List of figures page xii
List of tables xix
List of Economist Intelligence Unit data xx
List of boxes xxi
Acknowledgements xxiv
Glossary xxvii

Prologue 1
A dynamic but challenging industry 1
The quiet revolution 3
Structure 5
A story to tell 7

1 ‘Per Aspera Ad Astra’: A Bumpy Journey to the Stars 9
Shipping in the early twentieth century 9
From sail to steam 11
New family businesses 11
New business ventures 15
Expanding the family business 16
A diversified business 18
‘Constant care’ 21

2 The Coming Revolution 27
1966: a critical year 27
The concept and the consequences 28
The unit: the new mode of transport 32
Early Maersk Line developments 33
The unit load 34
Time for change 39
An international perspective 39

3 The Decision: Taking Maersk Line into Containers 50
Facing the facts 50
A new organisation 53
Profit centres 55
A strategy for Maersk Line 56
Contents

Maersk Line, the FEFC and containerisation of European trade 57
Maersk Line’s conventional services 61
Containerisation of the Panama Line: a business case 63
The end of one journey and the start of another 65
The independent ship owner 66
Preparations for container transport 67
Marketing and sales 68
Infrastructure and equipment 69
Systems 72
Training 74
Traffic and operations 75
The first voyage 75

4 Building the Base (1978–1984) 84
The agents’ meeting, 1976 84
Mercantile Consolidators: into logistics 87
Maersk Line and Maersk Container Line 89
US East Coast strike, 1977 89
Coverage of Southeast Asia 90
Svendborg Mærsk and A-class lengthening 92
Relations with the FEFC 94
The Newton ships 94
The service plan 96
Opening European offices 97
The United Kingdom 98
The rights discussion 98
The announcement and staff training 100
Resignation from the FEFC 102
Parallel developments 104
A diversion: into cool cargoes 111
Competition 114
After the resignation 114
Jumbo-ising again 117

5 Planning the Next Steps (1984–1987) 124
The Global Steering Committee 124
The On-Line Committee 125
The global market place 127
Reorganising the Panama service 130
The Policy Coordination Group 131
Opening up for lateral local expansion 132
Contents

Connecting Point Spain (CPS) 133
Competition and the market 135
The 1984 US Shipping Act 137
Interest in European short sea services 140
On the Europe–Far East–Europe service 141
Competition and the FEFC 142
CMB and CR ‘rights’ 145
The Middle East, Africa – and some casualties 146
One Maersk Line 149
The day-to-day business 151
Supporting the plan 153
Globalisation 153
‘Asian Tigers’ 155
Turbulence 158

Internal developments 162
The budget process 162
Profit improvement plans (PIP) 163
The Maersk International Shipping Education (MISE) programme 164
The beginnings of a terminals business 166
Developments in information technology 168
The rise of Shipper Associations and Councils 169
UNCTAD and national cargo reservation schemes 171
The Trans Atlantic trade: the missing link 172
The competitive market place 177
Non-vessel operating common carriers and Mercantile Consolidators 179
New relationships, new ventures, old conflicts 180
New ships, new offices, new markets and an old problem 181
Continued FEFC issues 184

7 The 1990s: A Period of Transition 188
The container terminal strategy 190
Conference versus non-conference 190
Cost-efficiency, 1990 191
What only a ship owner can do 192
Commercial developments, P&O and Sea-Land 192
Building a new business: Mercantile 195
APM Logistics Management A/S 198
The Melville Corporation 199
Implementation 200
Contents

An unexpected ending 202
Shipping partners: the relationship with P&O and Sea-Land 205
Partnerships on land 207
Developments in the reefer business 209
Maintaining market shares to 2000 211
The 1990s: a summary 213

Close, but not quite 220
If at first you don’t succeed . . . 223
Into South America 227
New offices, new services, new systems 230
The end of the affair 234
Two tough years 237
The partnership with Sea-Land 241
Shipping deregulation 244
A revolution in world trade 246

9 1999 A Year of Developments and Acquisitions 251
The European Commission and Trans Atlantic Conference Agreement (TACA) 253
Mercantile: on a mission 254
Filling in the gaps 257
Preparing for deregulation 259
Systems developments 261
The pressure mounts 261
Safmarine 263
Sea-Land 266
The integrated Maersk-Sealand business 269

10 Into the New Millennium (2000–2005) 276
Getting to Year 2000 276
Maersk Line: the integrator? 279
A globalising economy 282
Another new business 283
Developments in technology 289
Reorganisation at Maersk-Sealand 289
The container shipping scene 291
The StarLight strategy 292
Reaching the customer 300
Contents

Global service centres 303
The China effect and outsourcing 304

    Maersk-Sealand developments and global service centres 312
    The P&O NedLloyd acquisition: PONL’s perspective 315
    The P&O NedLloyd acquisition: Maersk-Sealand’s perspective 319
    A bright spot: Emma Mærsk 325

12 A New Strategy (2008–2013): StreamLINE and Beyond 328
    Management changes 334
    Change, starting at the top 335
    Process excellence 340
    Network and Product 341
    An annus horribilis 342
    The next steps 344
    A roller-coaster year 344
    The Triple Es: energy efficiency, environment and economy of scale 346
    Fate lends a hand 350

Epilogue 362
    Putting the economic development into perspective 362
    Global challenges and opportunities 363
    Is the world truly globalised? 365
    The immediate future? 367
    The next steps? 368
    Creating opportunities 369
    The challenges 373
    Fundamental turning points 376

Notes and References 382
Index 419
Figures

1.1 The steamship *Laura* represented the Mærsk Møller family’s entry into the modern age of shipping; steamships were taking over from sailing ships page 12

1.2 Villa Anna in the town of Svendborg was A. P. Møller’s childhood home. It became the first office of the Steamship Company Svendborg, today’s A.P. Møller - Maersk 13

1.3 The first ship to enter the Maersk fleet was the steamer *Svendborg*, which was bought second-hand in England on 6 October 1904 14

1.4 The *Leise Mærsk*, built at the Odense Steel Shipyard in 1921, was the fleet’s first motor ship and the first ship to make a Maersk Line voyage in 1928 15

1.5 From 1928 until 1947 Maersk Line only served the trade from the United States East and West Coasts to Asia and back, initially with monthly sailings and from 1934 with departures every 14 days 16

1.6 Maersk’s first crude oil carriers of 1928 had a capacity of around 12,000 tons. By 1974 the ships of that particular bulk trade were able to carry more than 330,000 tons and were named ultra-large crude carriers (ULCCs). The *Kristine Mærsk* was one of seven such giants acquired by Maersk Tankers’ fleet between 1974 and 1977 19

1.7 Two of the world’s largest container ships under construction at the Odense Steel Shipyard in 2006. New building number 203 is the *Emma Mærsk*, the first of eight sister ships 20

1.8 Maersk Mc-Kinney Møller (1913–2012) in his office, next to a portrait of his father, A. P. Møller 22

1.9 Ane Mærsk Mc-Kinney Uggla succeeded her father, Maersk Mc-Kinney Møller, as chairman of the A.P. Møller and Chastine Mc-Kinney Møller Foundation in 2012 26

2.1 The start of the container revolution. On 26 April 1956 Malcom McLean and his innovative staff loaded the first containers on board the *Ideal X* in Port Elizabeth in New Jersey, United States. The first voyage was to Houston, Texas 30

2.2 The original Maersk Line logo 34

2.3 Christian Mærsk was one of the seven C-ships, fast conventional break-bulk ships designed for the unit load/pallet trade and introduced on the Maersk Line network in 1967–1969. *Christian* Mærsk is carrying a diverse load of cargo on deck, including a few containers 36
2.4 Mechanised movement of unitised cargo significantly improved efficiency on piers as well as on board ships and the fork-lift pallet truck played a leading role

2.5 The Lindø shipyard at the time of its inauguration in November 1959, with the production facilities at the front and the housing project for employees in the background

3.1 Kongens Nytorv 8 was the main office of the A.P. Moller Group from 1915 to 1979, when the headquarters moved to its present location at Esplanaden on the Copenhagen waterfront

3.2 A.P. Moller Group organisational chart, 1970

3.3 Clara Mærsk, deployed on the Panama Line with break-bulk cargo in the holds and the increasingly important containers on deck

3.4 The Maersk Fleet’s first cellular container ship Svendborg Mærsk was chartered out to OCL in 1974–1975 until it joined the A-ships on Maersk Line’s Panama Line from September 1975

3.5 Mc-Kinney Mærsk (1974) approaching Pier 11 in Brooklyn, New York, which was Maersk Line’s main port in the United States between 1958 and 1975. The four M-ships acquired in 1974–1975 had a capacity of 628 TEU on deck and in the top cargo holds

3.6 Maersk Line had a good track record in obtaining orders for the transport of heavy-duty machinery on conventional cargo ships. To retain that business the container-sized artificial tween-deck was introduced and it became a significant differentiator for Maersk Line in the early years of containerised services

3.7 The original Maersk Line logo compared to 3.8 below

3.8 The current Maersk logo and MAERSK letter fonts were developed for Maersk Line but were eventually introduced in most business units in the A.P. Moller – Maersk Group

3.9 The Maersk gantry crane was not ready for operation when Adrian Mærsk arrived at Pier 51 in Port Elizabeth, New Jersey, on 3 September 1975. But the brand new and shining containers were all clear for shipment on Maersk Line’s new flagship by using neighbouring cranes

4.1 The distinctive Mercantile logo. The business unit was renamed Maersk Logistics in 2000 and introduced its current identity, Damco, in 2007

4.2 Maersk Line was present in all of the three main markets of the world in 1978 – North America, Europe and Asia – plus the Middle East and Africa. Specialised container ships served North America, Asia and the Middle East

4.3 The container revolution arrived slowly but surely in ports around the world. Even though the tools may seem simple, the container itself and the
yard hustler represent a significant improvement in cargo handling. Maersk Mango is waiting for more cargo in the port of Singapore.

4.4 The nine A-ships were lengthened in 1978 and, as shown here, four were rebuilt in 1983–1984, when the original turbine engine was replaced with a much more economical diesel engine and yet another container section was added. It took the Hitachi yard at Innoshima, Japan, only two months to complete the operation.

4.5 Odense Steel Shipyard new building number 88, which joined the Maersk Line fleet as Luna Mærsk in 1982. It had two extra rows of holds for 40-foot containers compared to the first five of the Newton (new tonnage) ships; its capacity was 2,536 TEU plus four 360 m³ tanks for liquid cargoes.

4.6 The Telex Department at the A.P. Moller Group headquarters, where in 1982, 4,500 telex messages were handled on a daily basis – 3,000 incoming and 1,500 outgoing messages.

4.7 Loaded with an unusually homogeneous cargo of near-identical containers, Laura Mærsk is seen leaving Singapore. Maersk Mango is entering the port on its Butterfly Service.

5.1 Ib Kruse (third from left) inspecting the inland container terminal facility outside Keelung, Taiwan, with representatives from Maersk Line’s agent Tait and Co. and the terminal operator, around 1975.

5.2 Customer service with the most modern facilities of the day – head set and all relevant information available on the computer screen.

5.3 In the developing Maersk Line hub and spoke network, the Algeciras container terminal was one of a series of hubs.

5.4 Karen Mærsk and Sine Mærsk at APM Terminals’ Pier 400 facility near Los Angeles. Its 484 acres are nearly ten times larger than the Long Beach terminal of 1985.

5.5 The impressive sight of a double-stack container train crossing the vast openness of the northern United States between the container terminal in Tacoma, Washington, and the city of Chicago.

5.6 Norfolk Line ferries passing while crossing the Channel en route between Holland and the United Kingdom.

5.7 The diversity of the Optima – containers and own cranes on deck, wheeled cargo and a variety of break-bulk cargoes in the cargo holds.


6.2 A busy day in Hong Kong with two ocean-going A-class ships and one feeder ship at the MTL terminal facilities.
6.3 A ship owner’s riddle for shipping people: six signal flags with a special meaning. MAERSK was spelled out with signal flags to attract attention when the Trans Atlantic service was introduced.

6.4 Odense Steel Shipyard new building number 123 under construction. It would become the largest container ship to pass through the Panama Canal and be named Marchen Mærsk when it entered the Maersk Line fleet in April 1988.

6.5 Charlotte Mærsk, one of nine feeder ships with a capacity of around 950 TEU, passing the Sugar Loaf Mountain near Rio de Janeiro in Brazil.

7.1 Flemming Jacobs, shown here thanking the godmother of the Dirch Mærsk in 1996, was instrumental in setting up containerised services in Maersk Line. Jacobs started his career with A.P. Moller – Maersk in 1960 and was part of the original team in Maersk Container Line. He became CEO of Maersk Line in 1986, when the ‘old’ Maersk Line and the ‘new’ Maersk Container Line were merged.

7.2 The Adrian Mærsk, which inaugurated Maersk Line’s containerised service in September 1975. The garage for roll-on–roll-off cargo was added in 1984 before the ship was deployed on the Asia–Middle East service.

7.3 A warehouse in an unidentified Asian location. All individual items are placed on pallets and can easily be consolidated into a container for shipment.

7.4 Like all other ships before her, the post-Panamax container ship Regina Mærsk was the immediate result of the collaboration between Maersk Line operations staff, who defined the specifications based on commercial requirements, the naval architects and technicians of A.P. Moller – Maersk’s Technical Organisation, and their counterparts at the Odense Steel Shipyard. The Regina Mærsk was the world’s largest container ship and very important to both its owner and the shipyard.

7.5 Skandi trailers on rail wagons.

8.1 Still in the colours of the Danish East Asiatic Company (EAC), but with the distinct Maersk blue and a white seven-pointed star on the funnel, the Alsta was renamed Munkebo Mærsk following the acquisition in 1993.

8.2 Per Jørgensen was involved in A.P. Moller – Maersk and indeed in world trade for well over 50 years, taking an active part in Maersk Line’s development from a regional break-bulk liner operator to a global container transport provider.

8.3 The MCC logo.

8.4 In 1913, four years before Anna Mærk passed through the Panama Canal, the first Maersk ship to do so, Laura Mærsk had performed three other firsts for the trampers in the Maersk fleet: the first Atlantic crossing and the first calls to both South and North America.
When entering a Maersk Line office anywhere in the world, you would be met (and still will be) by a uniform design. However, some offices succeeded in making the most of the rules, or even bending them a little, and Singapore stands out.

One of the original six K-class post-Panamax container ships delivered from the Odense Steel Shipyard in 1996–1997, *Kate Mærsk*'s real capacity was a well-guarded secret for many years.

Her Majesty the Queen Margrethe II and His Royal Highness the Prince Consort Henrik were the guests of honour *par excellence* when *Knud Mærsk* visited Copenhagen in 1996. Captain Henrik Solmer explained the details while the always attentive Mærsk Mc-Kinney Møller observed proceedings.

The port of Salalah is a product of containerisation and indeed globalisation; the first steps towards changing the local port into today's major trans-shipment terminal were taken in 1996.

The warehouse operation at Hudd in Los Angeles. Operations were increasingly automated with the introduction of information technology, the bar code and the bar code scanner.

Knud E. Stubkjær became the Maersk Line CEO in 1999. He came to A.P. Moller – Maersk in 1977 and worked in a great variety of positions in Maersk Line in Europe and Asia as well as in Norfolk Line, before being promoted to Partner in 1999.

One of Safmarine's *Great Whites* in front of Cape Town's magnificent Table Mountain.

Ib Kruse spent more than 50 years with A.P. Moller – Maersk. He was the first CEO of Maersk Container Line and his last – and lasting – impact on the organisation included the significant acquisitions of Safmarine and Sea-Land in 1999. The oil and gas exploration and production activities should have a special mention among Ib Kruse’s many other responsibilities – but the list is much longer.

The Maersk Blue is the base and the white seven-pointed star is on both funnels, but the brand name is different. The *Glasgow Maersk* was one of the first ships to have the new Maersk-Sealand brand painted on the hull in 2000.

The Maersk Line brand was introduced in 1928 when the first sailings took place on the Panama Line. Following the acquisition of Sea-Land, the brand was changed to Maersk-Sealand, but still in conjunction with the well-known white seven-pointed star. Just out of the Maersk Container Industry factory, these new reefer containers clearly show off the new identity.

Maersk Logistics, formerly Mercantile and now Damco, expanded the integrated logistics services business.
10.3 Some of the 24 super post-Panamax gantry cranes at APM Terminals Port of Tanjung Pelepas servicing some of the largest container ships of the world 285

10.4 The APM Terminals logo 287

10.5 Tommy Thomsen was co-CEO of Maersk-Sealand 2001–2006. He joined A.P. Moller – Maersk in 1978 and became CEO of Maersk Tankers in 1991. From 1995 to 2001 Tommy Thomsen was President and CEO of Maersk Inc. and responsible for Maersk Line’s activities in North America, Central America and the Caribbean, before returning to Copenhagen as Partner as from 1 July 2001 290

10.6 Shortly after delivery from the Odense Steel Shipyard, Albert Mærsk passed Kronborg Castle in Elsinore on its way to Copenhagen. Around 35,000 people visited the ship on a series of ‘open ship’ days in August–September 2004 299

11.1 By 2012 more than 12,000 employees in the service centres in Pune, India, and four other locations in Asia supported the Maersk business units. More than 8,000 were occupied servicing Maersk Line and its customers 313

11.2 The P&O NedLloyd logo on a container on top of another container with another former brand name in the container industry. Maersk Line decided early to repaint the containers only as they were brought in for refurbishment in order to minimise the environmental and cost impacts 318

11.3 The advance of globalisation expressed in trade lanes between all world markets. By 2008, following the acquisitions of the previous 15 years, Maersk Line was present on a truly global scale 323

11.4 More than 10,000 people came to see the world’s then largest container ship, Emma Mærsk, being manoeuvred out of the Odense Fjord for its sea trials. In the background the next ship in the series of eight can be seen under the Odense Steel Shipyard crane 326

11.5 In Hong Kong, Emma Mærsk called at Modern Terminals in 2006, just as Adrian Mærsk did on Maersk Line’s first containerised service in 1975. However, the capacity of the ship was nearly ten times larger 327

12.1 Eivind Kolding started his career with A.P. Moller – Maersk in the Corporate Secretariat in 1989 and became head of Maersk Line Hong Kong in 1996. Having returned to Copenhagen, Kolding was the Group Chief Financial Officer 1998–2006. Eivind Kolding was made Partner in A.P. Moller – Maersk in 2006 and was CEO of Maersk Line 2006–2012, when he took over the position as CEO of Danske Bank, a leading financial institution in Denmark 335

12.2 The Damco logo 336

12.3 The SeaGo Line logo 338
12.4 A sign of the crisis and certainly not a situation any ship owner wants to be in. Five large container ships were laid up in Loch Striven on the Clyde in Scotland in 2009–2010.

12.5 A cross-section of the cargo hold of a Triple E ship under construction at the Daewoo Shipbuilding and Marine Engineering yard in Korea in early 2013. The dimensions are emphasised by the two people on bicycles.

12.6 The first of 20 Triple E ships nearing completion in the building dock. The ship was named *Mærsk Mc-Kinney Møller* in June 2013 by his daughter Ane Mærsk Mc-Kinney Uggla, chairman of the A.P. Møller and Chastine Mc-Kinney Møller Foundation, the owner of a controlling shareholding in A.P. Møller – Maersk.

12.7 Maersk Line CEO Søren Skou began his career in shipping with Maersk Line in 1983. From 2001 until 2012 he was the CEO of Maersk Tankers and in that role was also part of the A.P. Møller – Maersk Group leadership team, a role he retains.

Figure 11.2 courtesy of Steven Brandist. All other photographs are from the A.P. Møller – Maersk archives. Image scanning and editing: Jens Nymose, Grafisk Konservering.
### Tables

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Cellular container ships 1970</td>
<td><em>page 61</em></td>
<td></td>
</tr>
<tr>
<td>3.2 Trade routes and dates of inception of container services</td>
<td></td>
<td>63</td>
</tr>
<tr>
<td>12.1 Focusing the front-line offices</td>
<td></td>
<td>339</td>
</tr>
<tr>
<td>12.2 Transport costs for fruit in your supermarket</td>
<td></td>
<td>355</td>
</tr>
</tbody>
</table>
Economist Intelligence Unit data

A selection of important developments

1950–1954  page 42
1955–1959  44
1960–1964  46
1965–1969  78
1970–1974  80
1975–1979  118
1980–1984  120
1985–1989  186
1990–1994  216
1995–1999  274
2000–2004  307
2005–2012  359

Merchandise Trade by Country

1950  48
1955  48
1960  49
1965  49
1970  82
1975  83
1980  122
1985  123
1990  218
1995  219
2000  309
2005  310
2010  361

Boxes

E7  Container port traffic 1970, 1975, 1980  379
E8  Container port traffic 1985, 1990, 1995  380
E9  Container port traffic 2000, 2005, 2010  381
Boxes

1.1 A.P. Moller – Maersk Group core values page 24
2.1 Types of ships 28
2.2 The standard container 29
2.3 The change from break-bulk liner shipping to container liner shipping and the mechanisation of cargo handling 35
3.1 The background to the conference system 52
3.2 Container usage 71
3.3 Transport documents 73
4.1 What is a letter of credit? 89
4.2 A half-century 93
4.3 The United Nations Conference on Trade and Development (UNCTAD) 100
4.4 The European Union maritime approach 101
4.5 Cumulative world containership capacity 1970–1984 106
4.6 More on UNCTAD 109
4.7 A summary of the Brussels Package 110
4.8 The Organisation for Economic Co-operation and Development (OECD) 111
4.9 The FEFC five-part tariff 115
5.1 The Box Club 128
5.2 World imports/exports 1980–1990 129
5.3 The Panama Canal 130
5.4 The role of the hub port in creating opportunities for trade 134
5.5 Competitors and changes over time 136
5.6 The US shipping approach 137
5.7 The General Agreement on Tariffs and Trade (GATT) 138
5.8 Comparison of the United States and China in world trade development 1980–2010 143
5.9 Maersk Line in China 144
5.10 The Suez Canal 147
5.11 Li & Fung 157
5.12 International commercial terms of the International Chamber of Commerce, Paris 2000 158
6.1 A comparison of Oceania with four other developed countries 161
6.2 The Hague-Visby, Hamburg and Rotterdam Rules 171
6.3 Carriers that left the Trans Atlantic 1982–1992 174
6.4 Ships and the Panama Canal 178
6.5 Maersk Line services and market shares 1988 183
7.1 Other significant developments 194
7.2 Maersk Information Technology Support (MITS) 196
7.3 Techniques for preserving perishable cargo 210
7.4 World Merchandise Trade 1990–2000 214
8.1 Developments with competition 222
8.2 Australia and New Zealand (Oceania) 224
8.3 MCC Transport: ‘your intra-Asia partner’ 226
8.4 Proportion of world merchandise trade of selected countries in Latin America, 1970–2010 (Argentina, Brazil and Mexico) 228
8.5 South America 229
8.6 World container traffic by country, 1991 231
8.7 Comparative financial results, Sea-Land and Maersk Line, 1993 235
8.8 Mærsk Mc-Kinney Møller’s guidelines to ship owners and managers on the aims and concepts of the group 239
8.9 The K-class ships 246
9.1 The Ocean Shipping Reform Act (OSRA) 1998 260
9.2 Reefers: a customer’s story 262
9.3 Safmarine since 1999 265
9.4 Maersk-Sealand’s market shares 1999–2000 271
10.1 Kuehne + Nagel key figures, 1985–2010 279
10.2 Growth potential for Maersk Logistics, 2001 281
10.3 Top 25 recipients by inward direct investment flows, 2005–2011 283
10.4 Port of Tanjung Pelepas, Malaysia 284
10.5 APM Terminals 2001–2013 285
10.6 The world’s top ten container ports 1990–2010 288
10.7 Maersk-Sealand average freight rates, 1995–2002 per FFE 293
10.8 The StarLight strategy 294
10.9 The Container Business vision and mission, 2002 296
10.10 The World Shipping Council (WSC) 297
10.11 The ‘Asian Tigers’ 305
12.1 Maersk Line key numbers 1974–2013 329
12.2 Damco today 337
12.3 SeaGo Line 338
12.4 World merchandise trade, 2005–2012 343
12.5 Headlines from the Manifesto 348
12.6 Daily Maersk 349
12.7 Developments in reefers since the 1990s 354
12.8 Customer care 356
E1 Estimating true value-added in trade 366
Boxes

- E2 Gearing West Africa for future growth  370
- E3 Indian bananas  371
- E4 Impact assessment of Maersk in Brazil  372
- E5 Average return on invested capital (ROIC) within the container industry, 2006–2012  375
- E6 World merchandise exports 1975–2012 and Maersk Line turnover  377
Acknowledgements

This book has been 18 months in the making, but is long overdue – that is one of the many positive and encouraging messages we received when the idea was first put to Maersk Line’s management and later to a wider selection of people across the industry.

The book is published in 2014 to celebrate the 100th birthday of Mærsk Mc-Kinney Møller, who as managing owner of the A.P. Moller Group in 1973, was responsible for the decision to containerise the first of Maersk Line’s services. This also coincides with the 40th anniversary of that decision and the first steps of a relatively small ship owner in Copenhagen to become the leader of the container shipping industry.

Between the two of us, we have over 50 years of Maersk experience. Once started, the research took many months and involved the A.P. Moller – Maersk archives in Copenhagen, the Sea-Land archives in Charlotte, North Carolina and the P&O and Lloyds Register archives in London. We received prompt and valuable assistance from colleagues everywhere, and in particular from Kasper Nordhoek Johansen in Copenhagen.

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Chris Jephson, Henning Morgen
Copenhagen, October 2013
Glossary

Back-haul The back-haul is the return journey of the container from its destination, usually in the opposite direction to its primary flow. See head-haul.

Beneficial cargo owner (BCO) The legal owner of the goods, an importer of record who takes possession of cargo at the destination.

Berthing programme This assigns ships to berths in the most efficient manner. It can be used to optimise berth productivity or, alternatively, the ship’s productivity.

Cargo-sharing An arrangement between two or more trading partners to share the goods traffic between them in an agreed proportion.

Cell guides Vertical guide rails that position and secure containers on board a ship.

Chapter XI A US bankruptcy protection process that allows companies time to reorganise and restructure their financial obligations without liquidation and while maintaining control over the company.

Chassis A piece of equipment specifically designed for the movement of containers by road and/or highways to and from container terminals.

Cross-trades Foreign-to-foreign trade, carried by ships from a nation other than the two trading nations.

Cut-off time The latest time cargo can be delivered to a terminal for loading onto a scheduled vessel.

Dangerous cargo Articles or substances capable of posing a significant risk to health, safety or property. Dangerous cargo usually requires special attention when being transported.

Extra-slow steaming Defined by UNCTAD as ‘reducing sailing speed from 24–25 knots to 18 knots’. See slow steaming and super-slow steaming.

FFE A container, a 40-foot equivalent unit or 40-foot equivalent

Flag carrier A vessel of one national registry whose government may give it partial or full rights over international routes.

Freight forwarder An independent business that dispatches shipments for exporters for a fee. This may happen by land, air or sea and usually includes preparation of documents, booking of cargo space, warehousing, delivery and export clearance.

Geographical rights When conferences controlled trade routes, geographical and/or tonnage rights were limitations on entitlements of a carrier to serve a route.

Head-haul The main route on which a ship owner expects to make money. See back-haul.

High cube containers Containers that are 9.5 feet high; normal containers are 8 or 8.5 feet high.
Hub port
A central location to which traffic from many sources is directed and from which traffic is fed to other areas.

Intermodal
Something that is capable of moving between modes of transport, such as a container moving from a ship to a truck or a rail-car.

Intermodal rate-making
The ability of a carrier to set rates across a variety of modes of transport.

Ladings
A traditional word for a loading, hence bills of lading, which cover a shipment that is being moved.

Lien
Retention of property until outstanding debt is paid.

Lighter aboard ship (LASH)
A barge carrier designed to shuttle between ports, taking on and discharging barges.

Liner trades
Operations along definite routes on the basis of fixed schedules. Usually related to general cargo as distinct from bulk cargoes.

Liquid tanks
Tanks on board a ship for the storage of water, oil or, in some cases, cargoes like latex or liquid chemicals.

Liquid tank containers
Special containers designed for the carriage of liquids, such as liquid chemicals, wine or whisky.

Logistics
The efficient and cost-effective management of the physical movement of goods from supply points to final sale.

Loyalty scheme
When conferences controlled trade routes, loyalty schemes, such as discounts payable six months after a shipment, encouraged exporters to be loyal to the conference and not use outsiders or non-conference carriers.

Mini-bridge services
The process of taking inland cargo bound for export to the coast by rail and loading it to the ship.

New-building
A new ship delivered from the shipyard.

Non-Vessel Operating Common Carrier (NVOCC)
A US Federal Maritime Commission licensed cargo consolidator of small shipments in ocean trades, generally soliciting business and arranging for or performing containerisation functions at a port.

Outsider
A non-conference carrier that operates on a route served by a liner conference but is not a member of that conference.

Pallets
A flat structure of wood, metal or plastic that supports goods in a stable fashion while being lifted by, for example, a forklift. The pallet forms the base of a unit load for handling and storage efficiencies. See unit load.

Payton
A ton of cargo on which basis the freight is assessed. This can be weight (e.g. 1,000 kg) or cubic (1 m³).

Positioning
Refers to the movement of empty containers to a site, for example, a factory, where they can be filled. See Repositioning.

Reefer cargo
Cargo that requires refrigeration.

Reefer container
A special container designed for the carriage of reefer cargo.

Reefer plug
A plug on a reefer container designed to allow the container to be plugged into an electrical supply.
Repositioning Refers to the movement of empty containers to a suitable area where they can be re-used; for example, repositioned from Europe to Asia. See Positioning.

Rights, tonnage and/or geographical When conferences controlled trade routes, geographical and/or tonnage rights were limitations on entitlements of a carrier to serve a route.

Route The movement of a vessel from its first port of call to its final destination.

Slot charter The chartering of specific container space on board a ship, usually less than the container capacity of the ship.

Slot cost The cost of providing each container slot to the market as a carrier.

Slow steaming Defined by UNCTAD as ‘reducing sailing speed from 24–25 knots to 21 knots’. See extra-slow steaming and super-slow steaming.

Stabilisation agreement A discussion forum among carriers where they can meet, exchange market information and conduct research, including discussing ways to manage costs and improve operating efficiency in a trade. As an example, see the Trans Pacific Stabilisation Agreement (www.tsacarriers.org).

String A series of ships committed to serving a specific route.

Super-slow steaming Defined by UNCTAD as ‘reducing sailing speed from 24–25 knots to 15 knots’. See slow steaming and extra-slow steaming.

Supply chain A network involved in the provision of product or service packages to a customer.

TEU A container, a 20-foot equivalent unit.

Tonnage rights When conferences controlled trade routes, geographical and/or tonnage rights were limitations on entitlements of a carrier to serve a route.

Tramp trades A trade in which ships do not operate along a defined route or fixed schedule, but call at any ports where cargo is available.

Trans-load The transfer of goods from one carrier to another.

Triangular trade Trade between three ports or regions of the world.

Unit loads Combines individual items into single units that can be moved easily by forklifts. See pallet.

Y2K The potential inability of computers and software to account for the change from the year 1999 to the year 2000 at the turn of the century.