

# **Conference on America's Ports: Supporting Our National Military Objectives**

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William E. Woodhour

◆ President and CEO, Maersk Line, Limited





# America's Ports – Supporting our National Military Objectives

Bill Woodhour | May 2019

# Global Ocean Network

## MACRO

- **Global outlook:** Global GDP for 2019 is projected at 2.8%; 2020 at 2.7%.
- **Regional outlook:** Economic growth in US is expected to moderate to 2.3% in 2019 and 1.7% in 2020. Eurozone growth continues to be weak, but it will remain above long-term trend. Chinese GDP growth is still projected to gradually fade. In Latin America and Africa, a moderate but fairly fragile recovery is expected.

## CONTAINER DEMAND

- **Full year forecasts:** After strong growth of 3.7% in 2018, container demand growth is expected to be in a 1-3% range for 2019 and 2-4% for 2020.
- **2019** fragile development is largely reflecting negative impact from trade restrictions, fast-forwarding of US imports to 2018 and the Chinese waste ban.
- **2020** is projected to normalize somewhat, although trade restrictions still weigh on growth.

## SUPPLY

- **Nominal Supply:** Growth expected to slow down in 2019/2020, following few deliveries and more vessel scrapping, partly reflecting IMO in 2020.
- **Idling:** Expected to pick up in 2019 and further in 2020, strongly supported by IMO.
- **New orders:** Expected to moderate to around 950k in 2019, down from around 1325k in 2018 due to lots of contracting activities in H1 2018.
- **Effective Supply:** Global effective supply growth is expected to average around 2.6% in 2019-2020. In 2020, effective supply growth is projected to grow lower than average, as retrofitting for IMO will likely reduce available capacity.

## SUPPLY DEMAND FREIGHT RATES

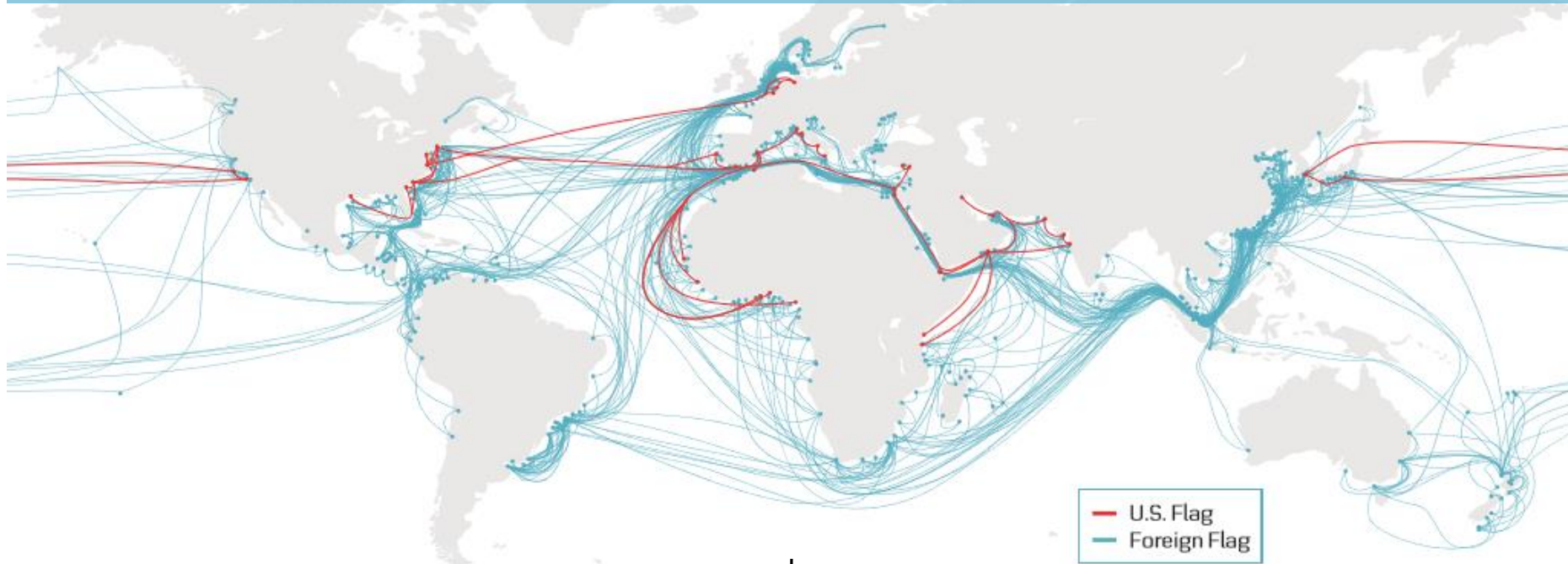
- **Supply/Demand:** The supply/demand balance is projected not to improve in 2019 as HH demand projections have deteriorated (tariffs). In 2020, the supply/demand balance is expected to improve significantly, as demand growth strengthens and as effective supply growth will be low due to IMO retrofitting.
- **Freight Rates:** Given the deteriorating demand forecast, risk has increased compared to previous expectations. However, rates should be supported by fundamentals in 2020.

## WATCH ITEMS

- **Container demand:** Fast-forwarding assumption of US imports lifts growth in Q4 2018, but reduces growth in Q1 2019 – watch for only modest degree of fast-forwarding. Risk in 2019/2020 linked to the US/China trade battle – watch for negotiations and further threats.
- **Macro drivers:** Emerging markets developments are already mixed —watch for further deterioration linked to twin deficits and dollar denominated debt.



# Global Ocean Network



## Total Commercial Fleet

**6,123** active ships

**28.1 million\*** TEU's in annual capacity

**279.3 million** deadweight tons

\*Capacity is limited to trans-Atlantic / trans-Pacific and Mediterranean/Middle East trades

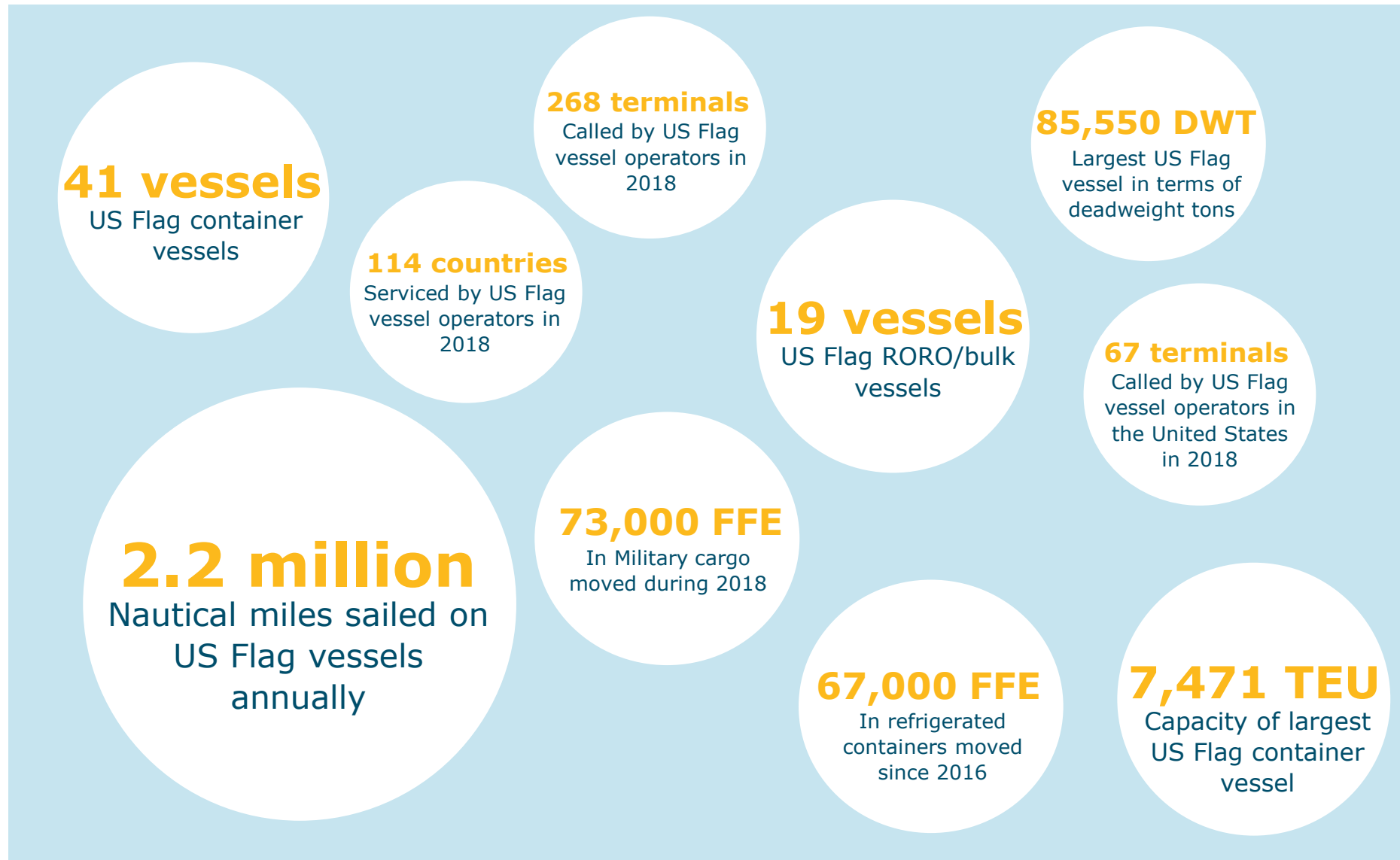
## U.S. Flag Fleet

**100** active ships (**60** under VISA/MSP)

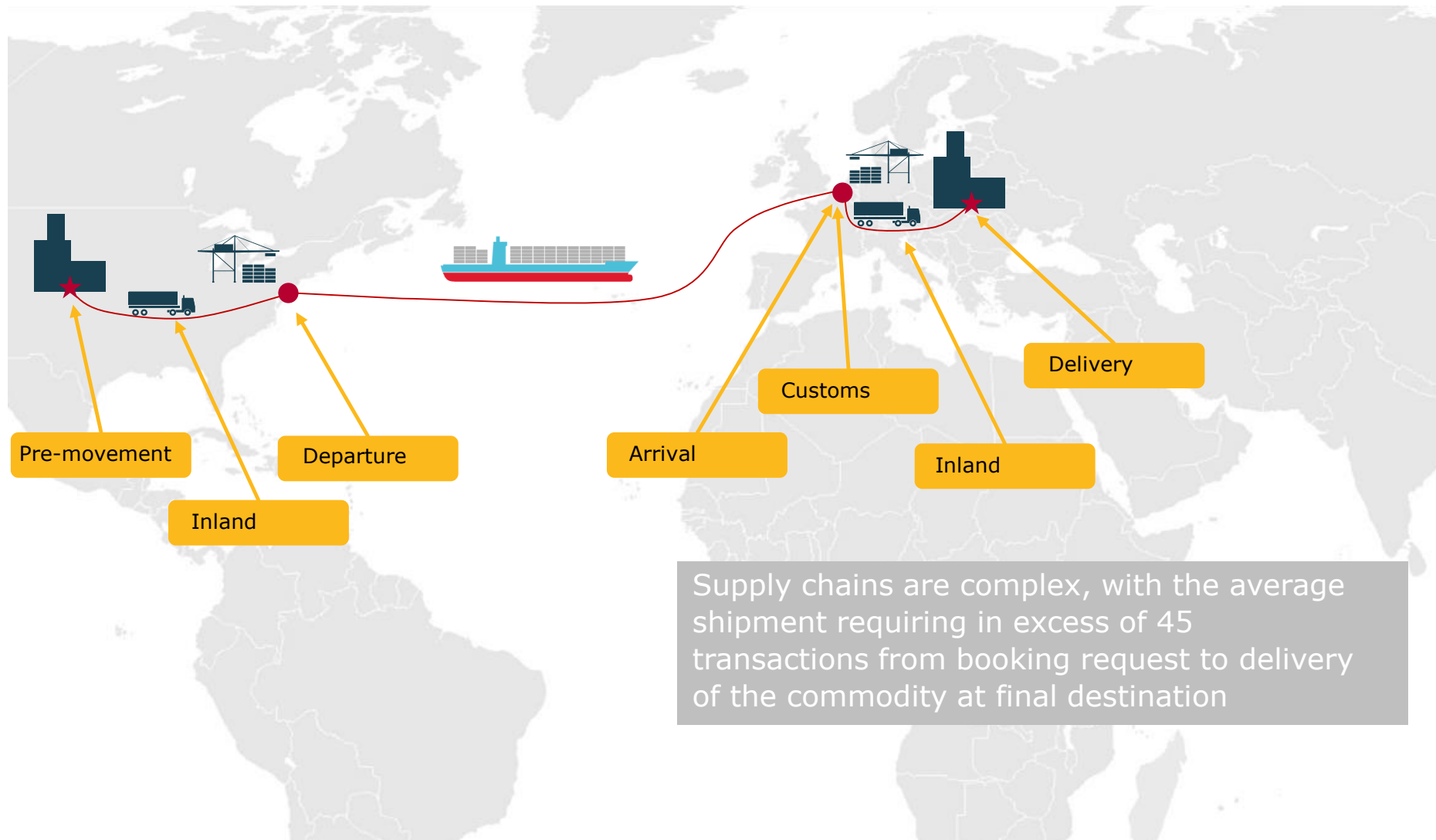
**1.1 million\*** TEU's in annual capacity

**2.8 million** deadweight tons

# Military ocean transportation by the numbers...



# Example Shipment



# Terminal Impacts on Supply Chain

**Terminals play an integral role in the effectiveness of the international supply chain – any disruptions have significant downstream impacts:**

- Berthing Delays / Strikes / Congestion / Cut and Runs

**A Case Study:** Universal Service Contract (DOD) containing fresh chilled meats arrives at the terminal from various locations in the United States. Cargo is due to load a US Flag vessel in Norfolk, however, due to congestion the US flag vessel is forced to “cut and run” and this cargo was not loaded as planned. Cargo was delayed arriving one week into North Europe and, as a result, shelf life has been minimized. Upon arrival at the commissary it is determined that some of the cargo, valued at USD 80,000, is spoiled and is destroyed. The balance must be sold at a discount.



# Ship sizes continue to increase every year



## **MAERSK LINE, LIMITED:**

### **Range of fleet:**

148–292 meters

### **Largest vessel:**

K-class vessel carrying  
6,400 TEUs



## **MAERSK LINE:**

### **Range of fleet:**

148–399 meters

### **Largest vessel:**

Madrid-class vessel carrying  
20,568 TEUs

- As world trade grows the size of ships is getting larger every year which placing new demands on port infrastructure to be more efficient
- The widened Panama Canal has enabled the larger ships to transit to the US East Coast along with the elevated Bayonne Bridge in New York harbor
- Port operators have been challenged to find new ways to work vessels faster and safer while also moving cargo off the terminal to inland destinations creating enough room for the next vessel calling the port...

# The switch to electric handling equipment

Another key trend shaping the future of ports - will be the switch from diesel cargo handling equipment to electric cargo handling equipment...



# Semi-automated operations



## **Remote Crane Operator Stories, Part 2**

Ben den Otter, APM Terminals, Maasvlakte II





- Digital makes things work faster, more efficiently, more sustainable, more cost-effective
- It holds significant gains in real-time supply chain management visibility, better decision-making, fitting into broader ecosystem of business and the use of AI
- The advent of digital supply chains and the stronger online presence of so much of our information is not without risk though....

**Thank You!**  
Questions and Answers

