

Consolidation: carrier customers had it coming

Beneficial cargo owners complain that fewer lines and the concentration of alliances give them less choice. But by being unwilling to pay sustainable rates, they have been accused of bringing consolidation on themselves

James Baker [@JamesBakerCI](#) james.baker@informa.com

Consolidation has led to fewer options for cargo owners, but the outcome was foreseeable

MR SAPPPIO SAID THAT AS A CONTAINER LESSOR, SEACUBE DOES NOT LIKE TO SEE CONSOLIDATION BECAUSE IT MEANS A SHRINKING CUSTOMER BASE.

CONSOLIDATION among container lines was inevitable, but beneficial cargo owners complaining about a lack of choice now there are fewer carriers should accept some responsibility for it, according to Bob Sappio, chief executive of container lessor SeaCube.

Mr Sappio said BCOs had reaped what they had sown.

“Consolidation was an inevitability,” he told Lloyd’s List on the sidelines of the Journal of Commerce’s TPM conference in Long Beach. “It was an industry that did not consistently earn its cost of capital for decades.

“What did you expect? Did you think consolidation was not going to happen? You get what you pay for. If you’re not prepared to pay a reasonable freight rate for services offered, things like consolidation and fewer choices are regrettably inevitable.”

Anne-Sophie Zerlang Karlsen, head of reefer management at Maersk, said that the alliances had not always benefitted customers.

“If you look at the alliances on the big east-west trades, that has had a big impact on customers, and not necessarily in a good way,” she said during a panel on the reefer market.

“For the reefer trades in particular, I think that the equipment prices we had in 2016-2017 were a result of the alliances. It was not because there were not enough boxes in the world. It was because the alliances’ new networks were designed to be 99% utilised and we hadn’t foreseen the growth into Asia. In that sense, I don’t think the alliances have had a very positive impact.”

It had, though, been a necessity for the carriers to survive.

“When we talk about the north-south reefer trades, when you look at the choice in terms of the number of services, I don’t think it has had any impact,” she said. “If you think it has had a massive impact on rates, just look at the results of the global carriers. I don’t believe for the refrigerated sector it has had a negative impact.”

Ocean Network Express senior manager Bharadwaj Bhuyan said while the full impact of alliances had yet to be felt, BCOs would eventually benefit from the alliances.

“Whether it is through more predictable services, dedicated calls or more frequency, it will be better,” he said. “But alliances are important. We have to find a sustainable platform.

“We need investment in technology and ships. Being a smaller carrier makes that more difficult. When you have consolidation you have muscle and can think about investments.”

For Mr Sappio, consolidation has meant fewer customers.

“No one likes to see a contracting customer base,” he said. “As a container lessor, we don’t like to see consolidation. We have 200 customers but the top seven or eight take up 75% of our business.”

SeaCube has started to diversify into “adjacent spaces”, including leasing containers to 3PLs and freight forwarders who are looking to provide an end-to-end service for BCOs.

“We’re seeing some interest from customers outside the traditional leasing area,” he said.