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-Seedland 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
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. Moller – 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 Mærsk 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, Mærsk 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.


3.6 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

6.1 The Maersk International Shipping Education graduates of 1996 around A.P. Moller Group CEO Jess Søderberg and his fellow Partners Ib Kruse and Flemming Jacobs

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 waggons

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 Alsia 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 Mærsk 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
8.5 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.

8.6 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.

8.7 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.

9.1 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.

9.2 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.

9.3 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.

9.4 One of Safmarine’s Great Whites in front of Cape Town’s magnificent Table Mountain.

9.5 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.

9.6 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.

10.1 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.

10.2 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 *Maersk 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. Moller – 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. Moller – Maersk Group leadership team, a role he retains

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

3.1 Cellular container ships 1970  page 61
3.2 Trade routes and dates of inception of container services  63
12.1 Focusing the front-line offices  339
12.2 Transport costs for fruit in your supermarket  355
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
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

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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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Alan MacPherson in Chicago
Dick McGregor in Charlotte
Carsten Melchior in Copenhagen
Dick Murphy in Charlotte
Anne Krogh Nielsen in Copenhagen
Erling J. Nielsen in Copenhagen
Jeremy Nixon in Singapore
Thorkild Olesen in Singapore
Roderic O’Sullivan in London
Torben Petterson in Copenhagen
Henrik Ramskov in Copenhagen
Ted Ruhly in New Jersey
Tony Sciascia in Charlotte
Frans Smit in Laakdal
Captain Henrik Solmer in Svendborg
Peter Spiller in Florida
Flemming Steen in Copenhagen
Knud Stubkjær in Seattle
Hans Henrik Sørensen in Copenhagen
Nick Taro in New Jersey
Lucas Vos in Copenhagen
Eric B. Williams in Copenhagen
Uffe Østergaard in Copenhagen
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Any errors and failures to draw the right conclusions from all the material, research and input, are ours alone.

Chris Jephson, Henning Morgen
Copenhagen, October 2013
### Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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</thead>
<tbody>
<tr>
<td>Back-haul</td>
<td>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.</td>
</tr>
<tr>
<td>Beneficial cargo owner (BCO)</td>
<td>The legal owner of the goods, an importer of record who takes possession of cargo at the destination.</td>
</tr>
<tr>
<td>Berthing programme</td>
<td>This assigns ships to berths in the most efficient manner. It can be used to optimise berth productivity or, alternatively, the ship’s productivity.</td>
</tr>
<tr>
<td>Cargo-sharing</td>
<td>An arrangement between two or more trading partners to share the goods traffic between them in an agreed proportion.</td>
</tr>
<tr>
<td>Cell guides</td>
<td>Vertical guide rails that position and secure containers on board a ship.</td>
</tr>
<tr>
<td>Chapter XI</td>
<td>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.</td>
</tr>
<tr>
<td>Chassis</td>
<td>A piece of equipment specifically designed for the movement of containers by road and/or highways to and from container terminals.</td>
</tr>
<tr>
<td>Cross-trades</td>
<td>Foreign-to-foreign trade, carried by ships from a nation other than the two trading nations.</td>
</tr>
<tr>
<td>Cut-off time</td>
<td>The latest time cargo can be delivered to a terminal for loading onto a scheduled vessel.</td>
</tr>
<tr>
<td>Dangerous cargo</td>
<td>Articles or substances capable of posing a significant risk to health, safety or property. Dangerous cargo usually requires special attention when being transported.</td>
</tr>
<tr>
<td>Extra-slow steaming</td>
<td>Defined by UNCTAD as ‘reducing sailing speed from 24–25 knots to 18 knots’. See slow steaming and super-slow steaming.</td>
</tr>
<tr>
<td>FFE</td>
<td>A container, a 40-foot equivalent unit or 40-foot equivalent</td>
</tr>
<tr>
<td>Flag carrier</td>
<td>A vessel of one national registry whose government may give it partial or full rights over international routes.</td>
</tr>
<tr>
<td>Freight forwarder</td>
<td>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.</td>
</tr>
<tr>
<td>Geographical rights</td>
<td>When conferences controlled trade routes, geographical and/or tonnage rights were limitations on entitlements of a carrier to serve a route.</td>
</tr>
<tr>
<td>Head-haul</td>
<td>The main route on which a ship owner expects to make money. See back-haul.</td>
</tr>
<tr>
<td>High cube containers</td>
<td>Containers that are 9.5 feet high; normal containers are 8 or 8.5 feet high.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
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<td>----------------------</td>
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</tr>
<tr>
<td>Hub port</td>
<td>A central location to which traffic from many sources is directed and from which traffic is fed to other areas.</td>
</tr>
<tr>
<td>Intermodal</td>
<td>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.</td>
</tr>
<tr>
<td>Intermodal rate-making</td>
<td>The ability of a carrier to set rates across a variety of modes of transport.</td>
</tr>
<tr>
<td>Ladings</td>
<td>A traditional word for a loading, hence bills of lading, which cover a shipment that is being moved.</td>
</tr>
<tr>
<td>Lien</td>
<td>Retention of property until outstanding debt is paid.</td>
</tr>
<tr>
<td>Lighter aboard ship (LASH)</td>
<td>A barge carrier designed to shuttle between ports, taking on and discharging barges.</td>
</tr>
<tr>
<td>Liner trades</td>
<td>Operations along definite routes on the basis of fixed schedules. Usually related to general cargo as distinct from bulk cargoes.</td>
</tr>
<tr>
<td>Liquid tanks</td>
<td>Tanks on board a ship for the storage of water, oil or, in some cases, cargoes like latex or liquid chemicals.</td>
</tr>
<tr>
<td>Liquid tank containers</td>
<td>Special containers designed for the carriage of liquids, such as liquid chemicals, wine or whisky.</td>
</tr>
<tr>
<td>Logistics</td>
<td>The efficient and cost-effective management of the physical movement of goods from supply points to final sale.</td>
</tr>
<tr>
<td>Loyalty scheme</td>
<td>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.</td>
</tr>
<tr>
<td>Mini-bridge services</td>
<td>The process of taking inland cargo bound for export to the coast by rail and loading it to the ship.</td>
</tr>
<tr>
<td>New-building</td>
<td>A new ship delivered from the shipyard.</td>
</tr>
<tr>
<td>Non-Vessel Operating Common Carrier (NVOCC)</td>
<td>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.</td>
</tr>
<tr>
<td>Outsider</td>
<td>A non-conference carrier that operates on a route served by a liner conference but is not a member of that conference.</td>
</tr>
<tr>
<td>Pallets</td>
<td>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.</td>
</tr>
<tr>
<td>Payton</td>
<td>A ton of cargo on which basis the freight is assessed. This can be weight (e.g. 1,000 kg) or cubic (1 m³).</td>
</tr>
<tr>
<td>Positioning</td>
<td>Refers to the movement of empty containers to a site, for example, a factory, where they can be filled. See Repositioning.</td>
</tr>
<tr>
<td>Reefer cargo</td>
<td>Cargo that requires refrigeration.</td>
</tr>
<tr>
<td>Reefer container</td>
<td>A special container designed for the carriage of reefer cargo.</td>
</tr>
<tr>
<td>Reefer plug</td>
<td>A plug on a reefer container designed to allow the container to be plugged into an electrical supply.</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
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<td>--------------------</td>
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</tr>
<tr>
<td>Repositioning</td>
<td>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.</td>
</tr>
<tr>
<td>Rights, tonnage</td>
<td>When conferences controlled trade routes, geographical and/or tonnage rights were limitations on entitlements of a carrier to serve a route.</td>
</tr>
<tr>
<td>and/or geographical</td>
<td></td>
</tr>
<tr>
<td>Route</td>
<td>The movement of a vessel from its first port of call to its final destination.</td>
</tr>
<tr>
<td>Slot charter</td>
<td>The chartering of specific container space on board a ship, usually less than the container capacity of the ship.</td>
</tr>
<tr>
<td>Slot cost</td>
<td>The cost of providing each container slot to the market as a carrier.</td>
</tr>
<tr>
<td>Slow steaming</td>
<td>Defined by UNCTAD as ‘reducing sailing speed from 24–25 knots to 21 knots’. See extra-slow steaming and super-slow steaming.</td>
</tr>
<tr>
<td>Stabilisation</td>
<td>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 (<a href="http://www.tsacarriers.org">www.tsacarriers.org</a>).</td>
</tr>
<tr>
<td>String</td>
<td>A series of ships committed to serving a specific route.</td>
</tr>
<tr>
<td>Super-slow</td>
<td>Defined by UNCTAD as ‘reducing sailing speed from 24–25 knots to 15 knots’. See slow steaming and extra-slow steaming.</td>
</tr>
<tr>
<td>steaming</td>
<td></td>
</tr>
<tr>
<td>Supply chain</td>
<td>A network involved in the provision of product or service packages to a customer.</td>
</tr>
<tr>
<td>TEU</td>
<td>A container, a 20-foot equivalent unit.</td>
</tr>
<tr>
<td>Tonnage rights</td>
<td>When conferences controlled trade routes, geographical and/or tonnage rights were limitations on entitlements of a carrier to serve a route.</td>
</tr>
<tr>
<td>Tramp trades</td>
<td>A trade in which ships do not operate along a defined route or fixed schedule, but call at any ports where cargo is available.</td>
</tr>
<tr>
<td>Trans-load</td>
<td>The transfer of goods from one carrier to another.</td>
</tr>
<tr>
<td>Triangular trade</td>
<td>Trade between three ports or regions of the world.</td>
</tr>
<tr>
<td>Unit loads</td>
<td>Combines individual items into single units that can be moved easily by forklifts. See pallet.</td>
</tr>
<tr>
<td>Y2K</td>
<td>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.</td>
</tr>
</tbody>
</table>
Prologue

Without the container the global village would still be a concept, not a reality, because manufacturing would still be a local process.  

C. C. Tung, CEO of Orient Overseas Container Line (OOCL), 1997

A dynamic but challenging industry

For many, 2008 was a good year – even for some in the shipping industry, with growth in both their businesses and profits. But 2008 was a very tough year for Maersk Line.

Three years earlier, Maersk Line had started the acquisition of a major competitor, P&O NedLloyd. Following approval by the authorities in February 2006, integration proceeded quickly and everything was to be in place within six months. Enormous efforts were made by both organisations to merge the numerous offices around the world – Maersk Line alone had 325 offices in 125 countries.

The newly merged organisation had grown to over 30,000 people from the 22,000 originally in Maersk Line. The fleet had expanded similarly, from about 350 container ships to a fleet of over 600, both owned and chartered. Structuring the fleet network, already a challenging task, now became very complex.

The acquisition, the sixth and largest over the 20-year period from 1987 for Maersk Line, had set out to retain employees but, as importantly, it aimed to retain the customers of both companies. The plan was to grow the customer base with a now unbeatable range of container services, global port coverage, terminals and inland transport capabilities (road, barge, rail or any combination of the three).

The company knew that the biggest challenges would be experienced by the people at the front end of the business whose role was to work with customers on a minute-to-minute, day-by-day basis. These critical roles involved taking bookings, arranging equipment to be in the right place at the right time, responding to queries, issuing essential documentation and collecting freight that was due.
The planning, preparation and action plans were a global effort. The company recognised that, realistically, things were unlikely to go completely smoothly, but expected that they could be managed. As 2006 ended and the new year began, however, it became clear that some serious challenges remained.

With the major integration process underway and a technical platform that was still being enhanced, service delivery issues were causing increasing concern across the global customer base and with management in Copenhagen, notwithstanding the efforts and commitment of thousands of people all around the world. No number of quick fixes would get the process back on track quickly. Some substantial changes were needed.

They began with the management team. In July 2007 the existing dual-CEO role from 2001 was slimmed to a single CEO, and a new management team was put together. New action teams were instituted to get to grips with the underlying causes of the existing challenges, and the development of a new strategy was initiated.

Then, 18 months later, as the year 2008 turned, the global financial crisis hit and world trade began to collapse: global shipping volumes dropped by an unprecedented 20 per cent in one year. Eivind Kolding, then CEO of Maersk Line – the world’s largest container operator – described the situation in which he found himself in mid 2009:

At that point in time we were losing at least $3–4 million a day and I had to go to the Board in February or March and say we’re not going to make a small profit as budgeted; we’re going to lose $1 billion. We felt we had bottomed out because it had never been worse.

But it continued, and in June, when driving home, I knew that over the day, we had probably lost another $9 million.

That month, I had to tell the Board that, well, I told you a $1 billion loss in March. It’s going to be $2 billion. And that of course, can keep you up a little bit at night.

But, however desperate it was, I still had the confidence that we would pull through.²

The contrast between this account and that of C. C. Tung, with which this prologue opens, could not be more striking. Yet both views are part of this story, one that began for Maersk over a century earlier when the A.P. Moller company was formed. By 2008 Maersk had been in liner shipping for more than 80 of those years.

The main subject of this book is the past 40 years of the company’s history, from 1973 to 2013.
Early in 1973, Maersk took the decision to join the container revolution. The investment this entailed was the single largest the company had ever made. By late 1974, Maersk Line was looking ahead to the first year of operation of the new Far East–US–Far East container service that was to be launched in 1975. The projections involved handling just over 30,000 40-foot equivalent containers (FFE or sometimes FEQ). On a like-for-like basis the number handled in 2011 would top eight million.

Projections were in 40-foot equivalent units rather than the industry standard of 20-foot equivalents (TEUs). Although TEU was established as the global industry standard in 1964, in the US trades with Asia the majority of containers moving were either 40-foot or, in Sea-Land’s case, 35-foot. As Maersk Line was learning from the carriers in these trades, it was natural to use 40-foot containers as the standard.

That 1973 decision was to take the A.P. Moller company from being a relatively small player in a relatively small Scandinavian country to being a major player in liner shipping and today, the world’s largest in containerised liner shipping. It was to help shape the industry over the next 40 years, while the industry would provide a platform on which much of what would be called globalisation could take place.

The quiet revolution

The advent of the container and the innovations within the shipping companies and shippers connected with it has rightly been called a revolution. It began in 1956 when Malcom McLean, who was to found Sea-Land in 1960, organised the first seaborne container transport from Newark to Houston. It was a slow revolution at first, but by the time Maersk Line joined, it had already picked up considerable speed. This quiet revolution was to have a profound and wide-ranging impact on the shipping industry, global commerce and developments in world trade.

As Adolf Adrion, CEO of Hapag Lloyd, commented in 2006, ‘the box became both the driving force behind, and the beneficiary of globalisation as an ongoing process. Scarcely has any other industry achieved such high and continuous growth over a period of 40 years.’

Some of the main themes of this book are reflected in the challenges recounted by, and contrasting statements provided by Eivind Kolding, C. C. Tung and Adolf Adrion – and it might be expected to find these corroborated in a wide range of books on globalisation.

However, the opposite is generally the case. With very few exceptions, the limited references to shipping that can be found tend to refer to an
earlier revolution – the change from sail to steam in the late 1800s. The role that containerisation has played is poorly researched and documented, and even less well understood. As academics at Copenhagen Business School have stated, ‘the theoretical and empirical literature on the role of transport in economic development is surprisingly weak. In general, transport is acknowledged to play an important role as a facilitator of economic development; however the role of transport remains ambiguous and subject to shallow interpretation.’

The aim of this book is to help fill this gap in the market and to appeal to a wide audience, including shipping people, both inside and outside Maersk Line – ‘shipping people’ in the broadest sense, from Maersk Line’s customers globally to those working in the various parts of the supply chain, including the freight forwarders and logistics suppliers, warehousing and airfreight companies. The book covers the development of Mercantile into Maersk Logistics and then Damco and the development of APM Terminals – two ‘beautiful swans’ as one of our interviewees called them, evoking Hans Christian Andersen – outcomes of the development of Maersk Line over the last 40 years.

Apart from research that we have conducted in our own Group archives, we have also reviewed the archives of Sea-Land, now in Charlotte, North Carolina, and material from the P&O archives relevant to this story.

We conducted over 80 interviews with a wide range of people, not only those inside Maersk Line, but also those with Safmarine, Sea-Land, P&O and NedLloyd, and those from the merged P&O NedLloyd. We talked with young and old, those relatively new to the business and those who have retired from it; including people in North America, Africa, Latin America, Europe and Asia, as well as people in Maersk Line’s corporate headquarters in Copenhagen. And we talked to a range of customers, some of whom have been moving goods internationally over many years, more often than not with Maersk Line.

While the research generated a wide range of new material, this book is also unique in that it is the first time most of the stories have been told. The A.P. Moller – Maersk archives are private and the Maersk Line records have never been made available to external parties.

While Maersk Line has compiled extensive data about its competitors and the industry in general over the years, we decided not to rely on our own information but to have leading experts in the industry provide their views and their more neutral analyses and input. Containerisation International (www.ci-online.co.uk) and Lloyds List (www.lloydslist.com) in particular have
been very supportive, providing access to their archives and material covering most of the years of interest.

Similarly, Lloyds Register in London has not only conducted research for us, but has answered all our perplexing questions, providing us with extensive material from its world-renowned archives.

Maersk Line has extensive reports on markets, country developments, commodity movements and general economic development, but rather than rely solely on this material, we commissioned research from the independent Economist Intelligence Unit, and this forms the core of the macro-economic data that is presented throughout the book.

Those interested in further information, for example on trade statistics, commodity movements, changes in trade flows and other details from 1950 to 2010, with projections to 2030, will find it on the website that supports this book. See: www.creatingglobalopportunities.com.

This website is available for the general reader as well as for ‘tomorrow’s shipping people’, those who are studying or contemplating a career in this fascinating industry.

It is therefore our hope that this book will contribute to the general understanding of the role of shipping, and low-cost, reliable container shipping in particular, in supporting and facilitating the development of globalisation, a process that we believe, with all its pitfalls, has contributed to lifting millions of people out of poverty.

Structure

The main text of the book is accompanied by statistics and graphic data and a number of boxes in which readers can find more detailed information. A glossary of terms is provided at the front of the book, while references appear at the end.

The book covers developments at three different levels. The first is the level with which we, as authors, are most familiar – the transition of Maersk Line from being a relatively small liner operator in the early 1970s to becoming the world’s largest container operator.

The second level puts this development into a broader context, drawing parallels and considering benchmarks against other carriers and the container shipping industry at large.

The third level puts the industry into the context of globalisation, tracing some of the developments in products and world trade, the rise of the
‘Asian Tigers’ (Hong Kong, Singapore, South Korea and Taiwan) and, later, the opening up and expansion of China, the factory to the world.

This third level is doubly important because while shipping has acted as a facilitator for globalisation, it is the principles and practices behind free and open trade that have enabled the industry to respond and play this role. Over the years, a number of challenges to free trade have been noted, from conferences working with restrictive shipping practices to legislative activity that imposes trade restrictions and ultimately encourages protectionism.

While developments are traced broadly in chronological order, there are four themes that play throughout the book.

Shipping and globalisation

Some would say that free and open trade has existed since the time of the Phoenicians. We look at the globalisation that has surfaced in relation to liner shipping during the more recent past and trace their implications, such as the role of conferences, UNCTAD and others.

Key developments in world trade are illustrated, and some of the main changes discussed, such as the initial expansion of the east–west, then north–south and more recently south–south trades.

Innovation

The shipping industry is not often characterised as being innovative – at least not when compared with the speed of innovation seen in more technologically advanced industries such as telecommunications and mobile phones. Yet innovation for the customer emerges as a significant theme. Overall these have added up to major changes in the way the industry operates, the way it has developed and the way it responds to its customers.

The globalising company

In 1973, Maersk Line had offices in five countries: Denmark and the United States (established in 1919), Japan (1948), Thailand (1951) and Indonesia (1958). By 2007, 35 years later, Maersk Line had offices in 325 cities across 125 countries. Was the company really global by that time? And what were the implications of this development?

Pursuing this theme, the book explores some of the developments in Maersk Line’s relationships with exporters, importers, freight forwarders and other suppliers to the industry. The way that companies buy, build and
sell their products has changed substantially over this period, whether they are the world’s largest retailer or greatest producer of cars. Meeting the demands of the globalising consumer, not just in the more developed economies, but increasingly in Asia, Latin America and Africa is reflected in the rising volumes in the south–south trades and has meant fundamental changes in production, supply chain management and distribution. Container shipping has needed to adapt and reinvent itself to be able to facilitate these developments. The book touches on the supporting role of communications and technology, crucial enablers of change.

People

It is a cliche that the most important assets a company has are its people, but without the people, this development might not have happened. We look at the role of some key people in driving the development of both Maersk Line’s business and the industry, examining selection, training and development processes. How is it that an industry that is often characterised as male-dominated, traditional, family-owned, conservative and far from the most glamorous in the world has been able to attract and retain very special, high-calibre people over the years?

While the industry has been driven by people with vision, energy and commitment to create and build successful companies, it is also sustained by the energy and commitment of people within these companies, from the junior customer service clerk in a front-line office in São Paulo, Brazil, to the operations assistant in Shanghai, China and the HR manager in a service centre in Pune, India.

These people respond to the needs of their customers, sometimes even before the customers are fully able to articulate what those needs are. They continue to facilitate the developments in world trade and globalisation that consumers have come to expect, through the provision of sophisticated yet low-cost, reliable container shipping.

A story to tell

The first 40 years of Maersk Line in containers is a story that flows from a major investment decision, made by a relatively small company, which led that company to become a substantial player in a global industry. It is the story of people who have constantly challenged the status quo, and of an industry that is developing and maturing while undergoing continuous change. The story needs to be told now, while it is still fresh in the minds of the people involved, including those who were there right at the beginning.
It needs to be told because the role of container shipping in facilitating global trade and globalisation is neither well documented nor well understood.

Finally, it needs to be told because it is an exciting story of a journey undertaken, frequently into the relative unknown, by a cast of thousands on a truly global stage.
The backdrop to our story, and the first point of reference, is Svendborg, one of the main shipping towns in Denmark, at the end of the nineteenth and beginning of the twentieth centuries.

Many Maersk people are familiar with the phrase ‘It all began in 1904’, which used to precede the presentation of the company’s activities in glossy brochures produced in the 1980s and 1990s. Even though the A.P. Møller Group was a much smaller company at the time, within the small country of Denmark it was a large corporation. The ‘all’ signified the many activities of the group, contrasted with its context within Denmark and within a world of business that was not yet global in the way we understand it today.

However, even in 1904, the perspective of the key players in the company and Maersk’s business activities was international. Maersk’s people had gained international experience from the relevant markets at the time and used that experience to establish and gradually expand the business.

Shipping in the early twentieth century

At the end of the nineteenth century, the Danish merchant fleet accounted for about 2 per cent of world tonnage, which was dominated by Great Britain, followed by the United States, Norway, Germany and France. Denmark was a largely agrarian country with a substantial foreign trade and, as a coastal country, naturally had a long tradition of crossing the world’s oceans.¹

Led by England and Germany, Europe’s manufacturing and agricultural industries underwent significant modernisation and industrialisation during the latter part of the nineteenth century, and shipping prospered from increased international trade. Manufacturing companies imported
raw materials and, as the super-national economy emerged, exported finished goods, and so required transport providers.

The technologies that transformed manufacturing evolved into other businesses and led to innovations that would change shipping companies’ ability to do business. The emergence of steamships and later motor ships significantly supported the development of increasingly global trade patterns. Fast, reliable transport would become a cornerstone in international trade, as it is today.

Stopford has identified four factors of great importance to these changes:

1. The steam engine, which freed ships from dependence on the wind.
2. Iron hulls, which protected cargo and allowed much larger ships to be built.
3. Screw propellers, which made merchant ships more seaworthy.
4. The deep-sea cable network, which allowed traders and shipping companies to communicate across the world.

Eventually, manufacturing industries required more raw materials from abroad and many of those were obtained in the territories east and south of Suez that had been annexed as colonies in previous centuries. The growing trades presented new opportunities for shipping companies, which took advantage of the technical innovations and set up regular services to the new markets with relatively fast, specially designed ships. These services would change the shipping industry for ship owners as well as their customers. As the trading systems were refined they proved to be ‘as revolutionary as containerisation in the twentieth century’.

International transportation of goods has not been the only driver of globalisation, but globalisation would not have developed at speed without the means for fast, reliable international transport. That story is part of this book’s story, specifically the developments in the deep-sea liner business, which grew from British shipping companies that had set up regular sailings to the colonies in the nineteenth century, supporting trade and communication between the far-flung countries of the Empire. Steamships allowed the establishment of more reliable services, which were further improved by the introduction of ocean-going motor ships from 1912. As international trade grew, shippers became more dependent on reliable services and shipping companies began to specialise their vessels for the liner business.

The increasingly internationalising market also had an impact on the composition of the merchant fleet in the 1890s. Technical innovations changed the competitive environment, and if they were to stay in business
ship owners had to replace their assets. At the turn of the century, 60 per cent of the ships owned in Denmark had been acquired within the previous five years. They came second-hand or new from modern shipyards, primarily in Great Britain.

From sail to steam

When this part of our story begins, at the end of the nineteenth century, Danish manufacturing industries were smaller, developing later than those in the neighbouring European countries, especially Great Britain. Danish shipping companies did not participate greatly in the growth of the international liner shipping system, but focused on the main market for Danish exports, across the North Sea to Great Britain. As in other European countries, many of the new Danish steamship companies were one-ship ventures; only a few ever acquired a second ship, and even fewer had more than two.

The majority of the Danish fleet, all its sailing ships and most of its steamers, were involved in tramp shipping – that is, they did not have a fixed schedule or regular ports of call. If he was not the owner himself, a captain on a tramp voyage would take his ship to any port as directed by the owner or agents, who communicated with him via cables. His first task, having moored in a new port, was to contact the local agent to ask for new instructions, which could include directives to sell the cargo or to obtain new ladings to further ports.

The primary markets for a Danish ship owner were the Baltic Sea, the North Sea and, as time went by, the European Atlantic coast and the Mediterranean, where freight for each voyage was negotiated by the shipping company or the captain. Typical tramp cargoes were commodities in bulk, like grain, coal, timber and iron ore.5 A ship could be away from its home port for years in its quest for the most profitable cargo.

In Denmark, by 1895 steamships outnumbered sailing ships in tonnage and would remain an important factor in Danish and international shipping for the next 50 years. However, in the Møller family, the transition from sail to steam had been a fact of life since 1884.

New family businesses

After the unfortunate wrecking of the Valkyrien, a barque he had commanded since 1874, Captain Peter Mærsk Møller decided to qualify as a steamship master, at the age of 50. He passed his exams in Denmark and also obtained a British master’s certificate. After working as a navigator for
ship owners in the United Kingdom for a while, Peter Mærsk Møller returned to Denmark and eventually in 1886 invested his savings in a small steamer, which he renamed Laura, after a friend’s daughter, thereby thanking him for supporting the purchase of the ship. This was not Peter Mærsk Møller’s first investment in shipping – he had owned shares in the sailing ships he had commanded before his move into steamships – but it was his first independent investment. He paid 18,000 kroner and managed the Laura through a limited company controlled and maintained by himself until the ship was sold in 1909.

By that time, his four sons had been encouraged to join the company. The oldest, Hans, trained as a navigator and became captain of the Laura; his younger brother Oluf was an engineer; and the youngest, Johannes, went into shipbuilding. However, it was Peter’s third son, Arnold Peter Møller, known as A. P. Møller, born in 1876, who was to be the initiator and driver of the family businesses.

A. P. Møller had been employed in various trading houses and shipping companies in England, Germany and Russia before he returned to Denmark in 1904 to head the chartering department of the shipping company C. K. Hansen, based in Copenhagen. Before he took up that post,
he and his father had already discussed the possibility of establishing a steamship company.

That became a reality shortly after A. P. Møller took up his new position in Copenhagen. Peter Mærsk Møller’s 50 years of shipping experience combined with A. P. Møller’s knowledge of the market convinced a group of leading citizens in Svendborg that the young man could lead Dampskibsselskabet Svendborg (the Steamship Company Svendborg). A banker, two merchants, a steam-mill owner and a solicitor were among the investors and they became members of the first Board of Directors, together with Peter Mærsk Møller and A. P. Møller.

The company was founded on 16 April 1904 and in October that year it purchased its first steamer, the Svendborg, which was managed from Copenhagen. The Svendborg’s initial voyage was a truly international operation, from Cardiff in Wales to Kronstad in Russia. A. P. Møller became the manager of the new company, which got off to a quiet but good start; by 1906 it had acquired its first new building, Peter Mærsk, named after A. P. Møller’s father.

In spite of good results and a prudent risk-management policy governing the company’s financial assets, it became apparent that the day-to-day manager in Copenhagen wanted faster growth than the Board in
Svendborg. In order to achieve his ambitions for independent expansion, A. P. Møller established Dampskibsselskabet af 1912 (the Steamship Company of 1912) and terminated his position with C. K. Hansen.6

The two shipping companies, Svendborg and 1912, were managed jointly and A. P. Møller rented offices in Copenhagen’s old Stock Exchange, where a small staff took care of all the operating tasks in the Maersk fleet, which by 1913 amounted to nine ships.7 The political developments in Europe that led to the First World War created good commercial conditions for the shipping industry, from which the Maersk companies, like others, benefited.

By 1918 A. P. Møller was able to realise an old ambition by establishing the Odense Steel Shipyard, meaning he could combine shipping with shipbuilding – the basic idea was ‘to build ships using our companies’ shipping experience and sail them when prices are low’.8 In 1919 A. P. Møller opened the first overseas office – in New York – under the name of ISMOLCO, short for the Isbrandtsen-Møller Company. The venture was started with A. P. Møller’s cousin, Hans J. Isbrandtsen, who had gained some experience from running a company with shipping and pier administration among its activities.

Figure 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.
New business ventures

The Svendborg and 1912 companies, managed jointly by A. P. Møller, started with steamships for the tramp trade and called at European, African and American ports during the early years of the twentieth century. In 1921 the first motorised ship was added to the Maersk fleet, which expanded its trading to ports in Asia and Australia during the early 1920s. Within two decades, Maersk trampers had begun sailing all the world’s seas.

The global consumption of petroleum products rose dramatically during the same period, and A. P. Møller recognised the opportunity to extend his shipping activities. After successful negotiations with Shell and Standard Oil, he ordered five crude oil tankers for delivery in 1928. This was the beginning of Maersk Tankers, which today is one of the world’s largest tanker shipping companies.

In the same year ISMOLCO entered the liner business, primarily on the basis of an agreement with the Ford Motor Company for the transport of car parts from the United States to assembly plants in Asia. Maersk Line’s first voyage was from Baltimore on 14 July 1928. The motor vessel Leise Mærsk (4,400 tons) sailed through the Panama Canal, called at San Pedro near Los

Figure 1.4 The Leise Mærsk, built at the Odense Steel Shipyards in 1921, was the fleet’s first motor ship and the first ship to make a Maersk Line voyage in 1928.
Angeles, and crossed the Pacific to call at Asian ports before returning to North America. We shall come back to this event later in the story.

Expanding the family business

A family business has been described as one where ‘a family owns enough of the equity to be able to exert control over strategy and is involved in top management positions’. For an extraordinarily long period of time, nearly 100 years, only two individuals sat at the helm of this particular family business, first one alone, then father and son together until the son took over on his father’s death. A. P. Møller’s son, Mærsk Mc-Kinney Møller, became a Partner in 1940, at the age of 27, shortly after the outbreak of the