CREATING GLOBAL OPPORTUNITIES

Maersk Line in Containerisation 1973–2013

Chris Jephson and
Henning Morgen

CAMBRIDGE

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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To Maersk Line's customers, the memory of Mærsk Mc-Kinney Møller and countless others who made this whole story possible.

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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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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

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 m^3).
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.

Prologue

Without the container the global village would still be a concept, not a reality, because manufacturing would still be a local process.[1]

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.'[3]

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.'[4]

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 cliché 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.

1

‘Per Aspera Ad Astra’

A Bumpy Journey to the Stars

You have not been promised an easy way.

A. P. Møller

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. Moller 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:[2]

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'.[3]

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.[4] 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

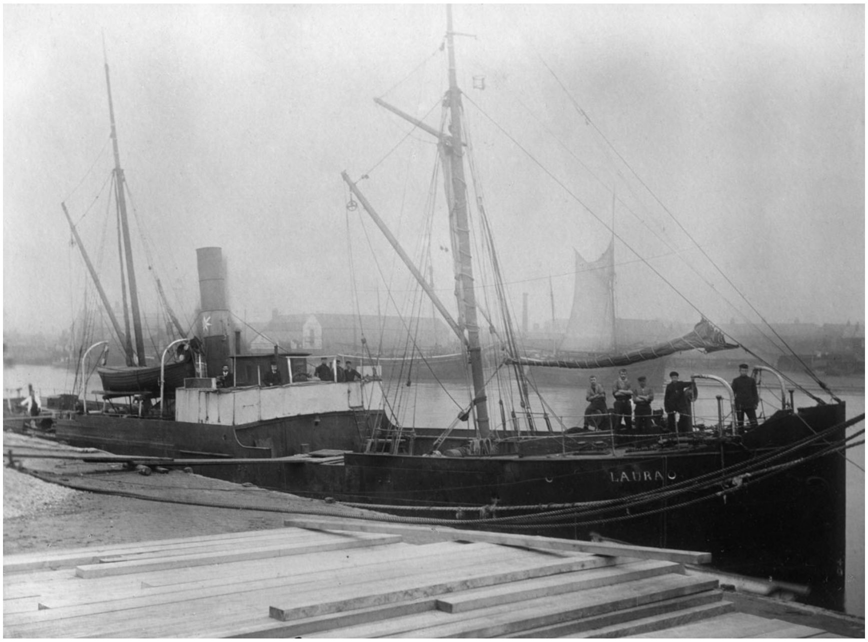

Figure 1.1 The steamship *Laura* represented the Mærsk Møller family's entry into the modern age of shipping; steamships were taking over from sailing ships.

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,

Figure 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.

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

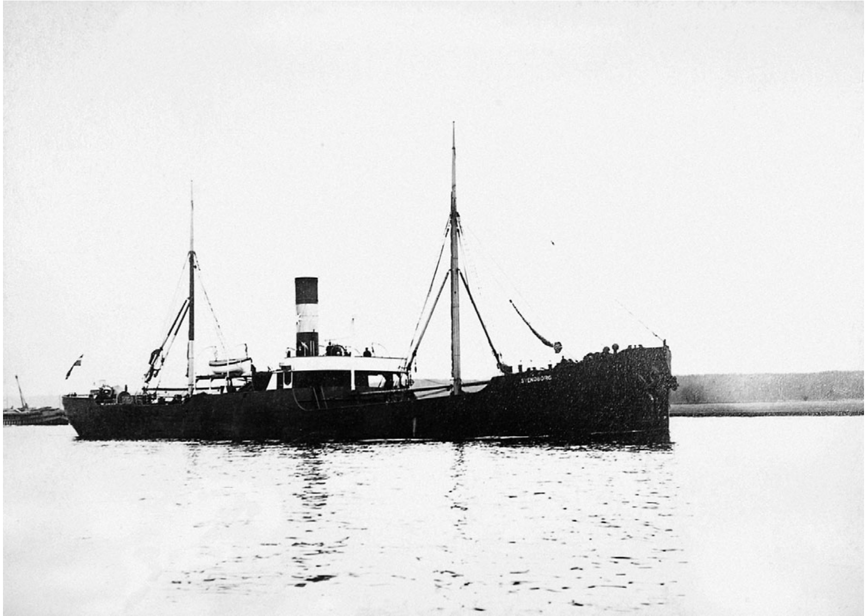

Figure 1.3 The first ship to enter the Maersk fleet was the steamer *Svendborg*, which was bought second-hand in England on 6 October 1904.

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-Moller 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.

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 Shipyard in 1921, was the fleet's first motor ship and the first ship to make a Maersk Line voyage in 1928.

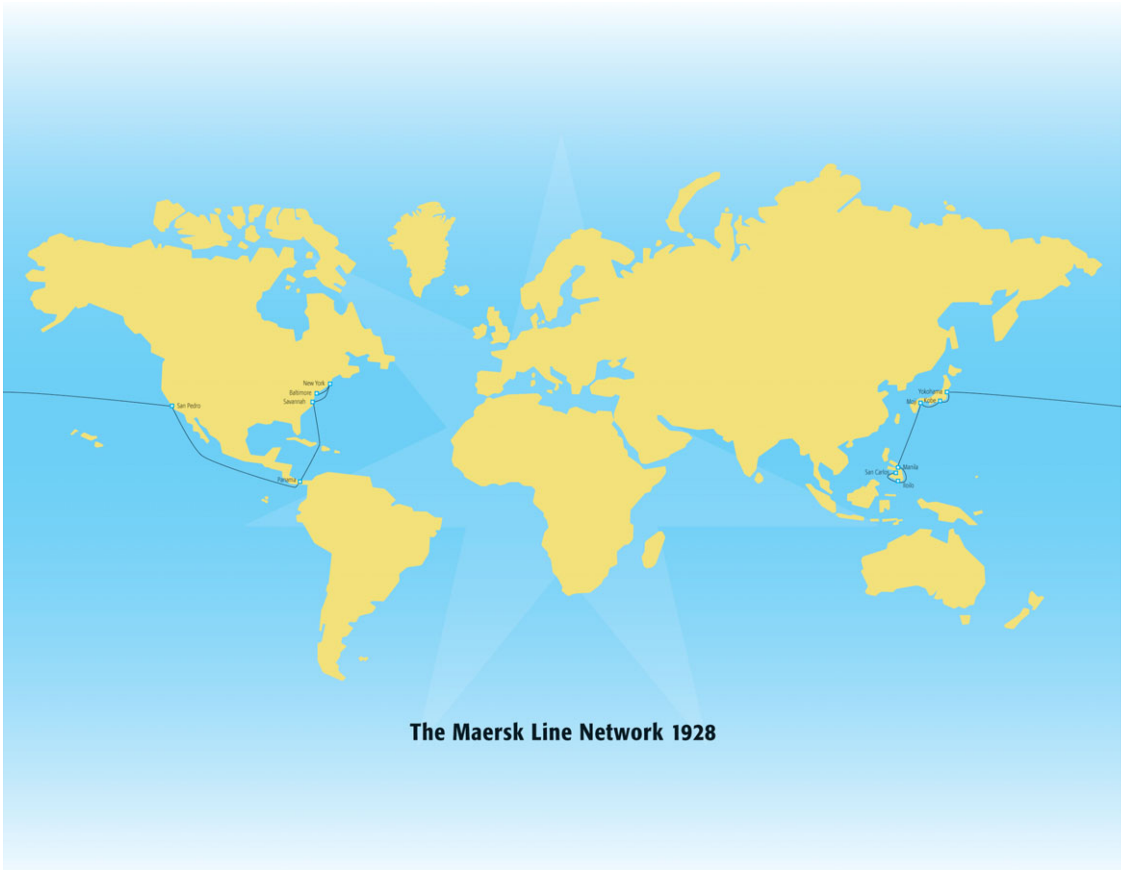

Figure 1.5 From 1928 until 1947 Maersk Line only served the trade from the United States East and West Coasts to Asia and back, initially with monthly sailings and from 1934 with departures every 14 days.

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'.[9] 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