

solidation will almost certainly produce winners and losers. The overall value proposition that individual ports offer their customers in terms of productivity, reliability and quality of service will serve as the principal differentiator.

Finally, maritime security, environmental stewardship, and community engagement will all grow in importance in 2016 as global and local issues continue to intersect in increasingly complex ways. Ports are at the heart of these intersections so collaboration across the entire supply chain to ensure the safe, sustainable, and equitable movement of goods will be a priority for all ports in the coming years. ■



MATSON
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FIGURES IN THE U.S. Maritime Administration's November 2015 economic report confirm that domestic shipbuilding has been on the rise, with the majority of capital spending going toward new structures and equip-

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ment. The report says 124 shipyards are actively producing new ships in our country, and Administrator Jaenichen calls the Jones Act a driving force behind the industry's resurgence.

Discovery of new domestic sources of oil and gas in recent years has stoked demand for large tankers. At the same time, domestic ocean carriers are re-fleeting, with companies such as TOTE, Crowley, Pasha and Matson bringing on a surge of new container ships and retiring older vessels over the next several years. The current schedule of new deliveries and retirements will

dramatically lower the average age of the U.S. domestic fleet by 2020.

It's good news for the U.S. economy. In addition to producing more than 1,000 new vessels annually, the shipbuilding industry employs more than 110,000 people across 26 states, accounting for more than \$9 billion in labor income and nearly \$11 billion in GDP. Including indirect impact, the industry supports nearly 400,000 U.S. jobs, \$25 billion in labor income and \$37 billion in GDP.

It's also good news for national defense. Not only does U.S. shipbuilding provide the industrial base — infrastructure and skilled labor — for equipping the most powerful navy on Earth, it supports Jones Act carriers that also have a role. ■



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WITH SEVERAL MAJOR carriers debating mergers and others possibly being sold, the changes in tonnage, world routes and vessel sharing alliances will be at the center of any conversation regarding container shipping in the next 12 months. What we will be witnessing are attempts by many steamship lines to revisit their approaches to better survive, and possibly thrive, in the "current world." At a time and age where global trade growth is expected to be modest at best (probably 3 to 4 percent annually), fleet capacity and pricing strategies will undoubtedly have to be re-examined by all players in the field.

These factors alone have turned an allegedly unsophisticated business into a rather complex (and unstable) one. Exceptionally and historically low freight rates, along with constantly raising operational costs, have contributed to create somewhat hostile conditions for carriers in terms of profitability. The capital-intensive

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nature of our business, which demands investments to be made continually across the supply chain, needs to be sustained in the long run for the overall health of the industry itself. That is where significant changes are needed in 2016, and it is a matter of both shippers and lines acting responsibly, together, through logic and common sense.

It is without a doubt that with so many changes coming our way in 2016, shippers will strongly rely on those providers who can offer stability, reliability and the best client services available.

The second front where massive changes are definitely required, and desired, is the quest of increasing cost-effectiveness for all land-based services. While ocean rates are extremely depressed, intermodal, port and labor costs continue to rise well above inflation rates, especially in the United States. Therefore, to effectively cope with new realities, updating old-fashioned labor practices and boosting terminal productivity through the adoption of a wider range of new technologies available will be a must. ■



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THE RECENT TERROR attacks will have a major impact on the world and international shipping. Many commentators have said that our two greatest threats are terrorism and climate change. I, and others, have long held the belief that the

two are intertwined, particularly given that many of our adversaries are funded by petro-dollars.

Container shipping will be called upon to continue to develop more energy efficiencies and security against terror. Certain segments of U.S.-flag shipping will see increased volumes in aid-related cargo directed toward combatting global instability, an incubator of terror breeding. In the coming year and beyond, the United States will send more food and weapons to areas of the world where a "guns and butter"

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approach is needed.

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Consolidation of ocean carriers is, of course, to be a trend, but I see other trends in consolidation: asset-heavy and asset-light organizations becoming one; chassis moving more and more to grey pools (could there be a consolidation among chassis leasing companies in the near future?); and even grey pools for containers have been discussed. These new combinations are often led by innovative thinkers new to the industry. Financiers, technologists and entrepreneurs will continue to enter the transportation sector and will continue to recruit fresh, new talent with good ideas. ■



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2015 HAS BEEN positive for most North American East Coast container ports