

# PHILIPPINE PORTS CONFERENCE 2017

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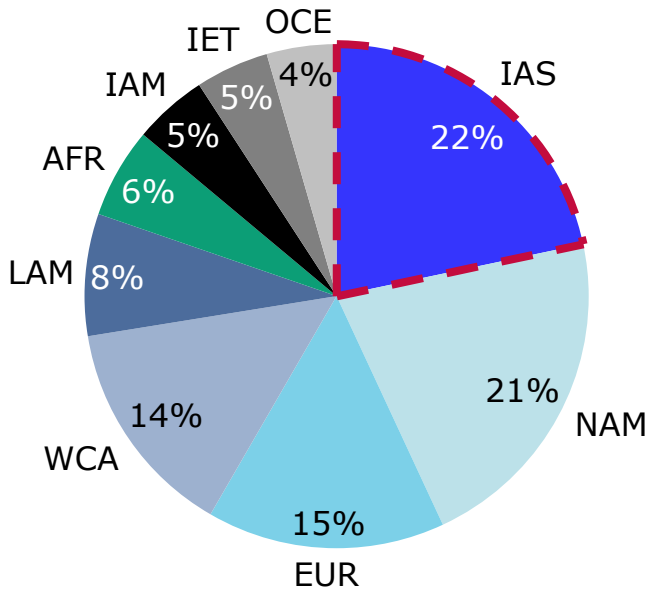
# MCC is a regional carrier with global expertise.



- The Maersk Liner business is operated using several brands/companies - **Separate entities** with **individual strategies** and market focus, but with **numerous synergies** that optimize business opportunities across brands
- **MCC Transport** is a **wholly owned subsidiary of Maersk Group**, specializing in the dynamic Intra-Asia Market
- We deliver containerized cargo services through an extensive feeder network and a customer-focused team of professionals.

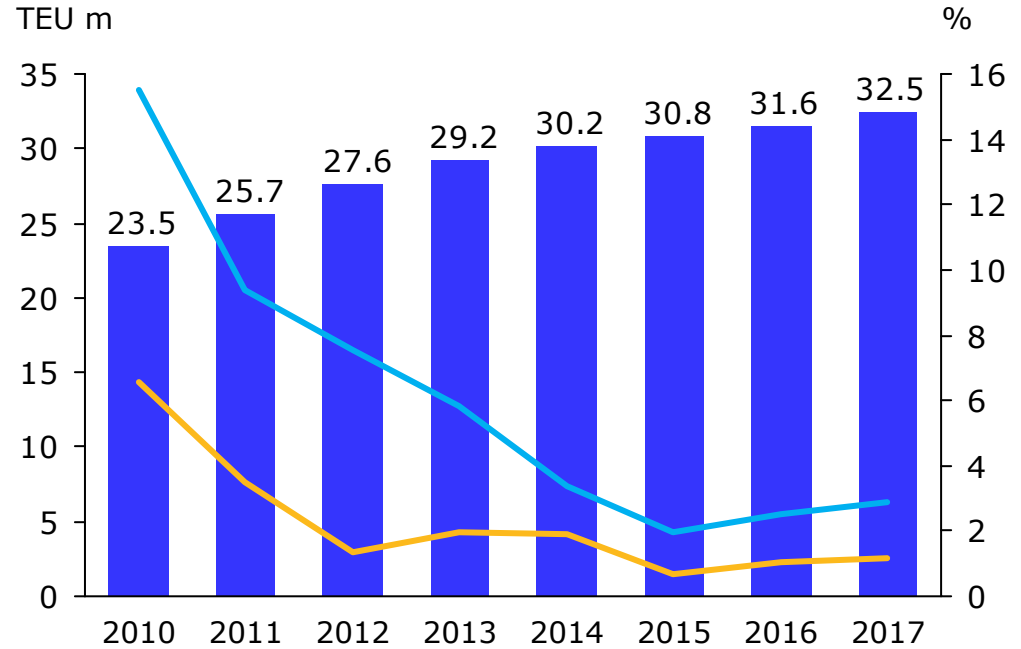
# Intra-Asia is the world's biggest container market.

## 2016 Container Market



**145 million TEU**

## Intra-Asia Container Market Growth



■ IAS Market (TEU m) — IAS Growth Rate — Global Growth Rate

Source: Market size is based on internal estimate

# MCC Network

**11**

Intra-Asia Main Haul Services  
(57 vessels)

**14**

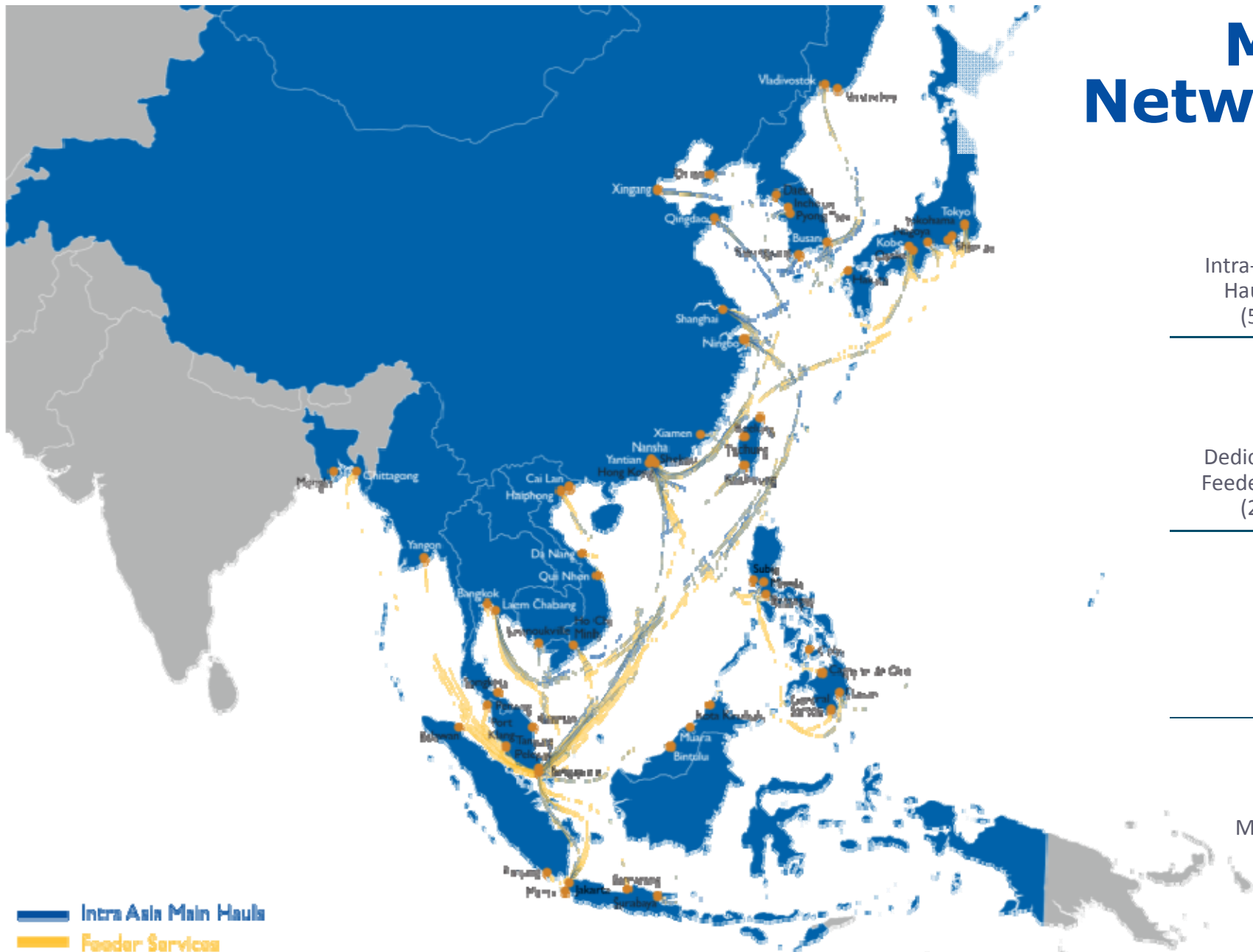
Dedicated MCC Feeder Services  
(24 vessels)

**23**

VSA/CCA Services

**24**

Maersk Line Services



**Intra Asia Main Hauls**

**Feeder Services**

Your Intra-Asia Partner



# State of Intra-Asia Trade

## Major Challenges

- Low freight rates
- Many corridors not profitable despite operating cost being historically low (and worse with oil price increasing)
- Infrastructure challenges
- Limited improvements to port productivity

## Key Success Factors

- Service reliability
- Low operating cost
- Online offering  
([my.mcc.com.sg](http://my.mcc.com.sg))
- Customer experience
- Agility

# Cascading of larger tonnage into Intra-Asia trades has its implications.

## IAS Service Requirements

- Need for frequency
- Direct services
- Flexibility

## Challenges of Panamax Operating in IAS Corridors

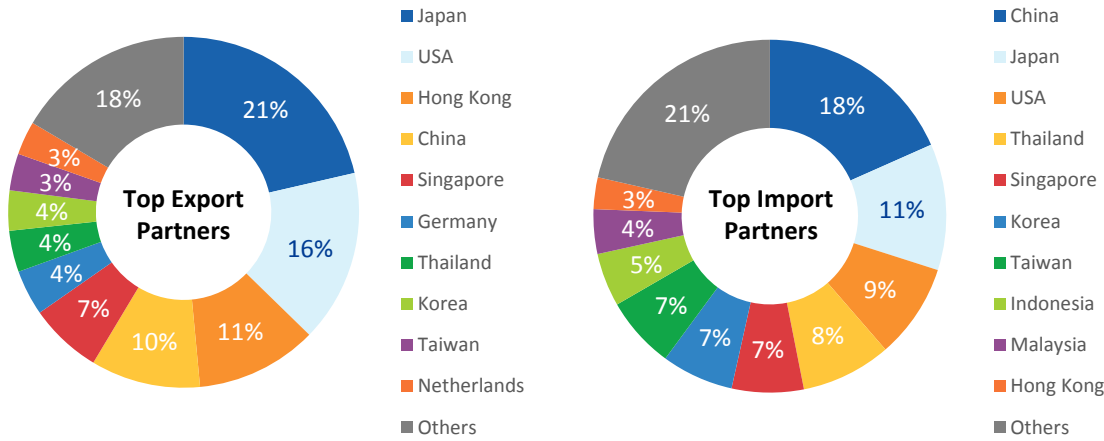
- THA-JPN: Need four instead of three vessels
- NEA to SIN/MAL: Uncompetitive slot cost
- SEA Feeder Legs: Impossible in 7 days with a full ship to SIN/TPP
- NEA-JKT: Berth window challenges, insufficient cargo base alone
- Greater Manila: Actually has 4 different ports

## Operational & Commercial Viability of Panamax Vessels

- Fairly poor fuel economy
- No incremental yield North bound to pay for additional cost
- Lower cost through scale only achievable with fully utilized vessels
- Few IAS corridors can handle Panamax vessels due to draft restrictions

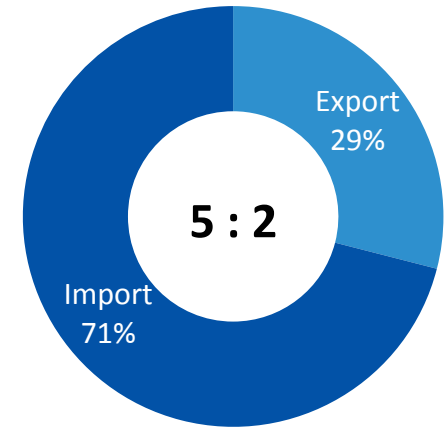
# Philippine Market Overview

## Major Trade Partners



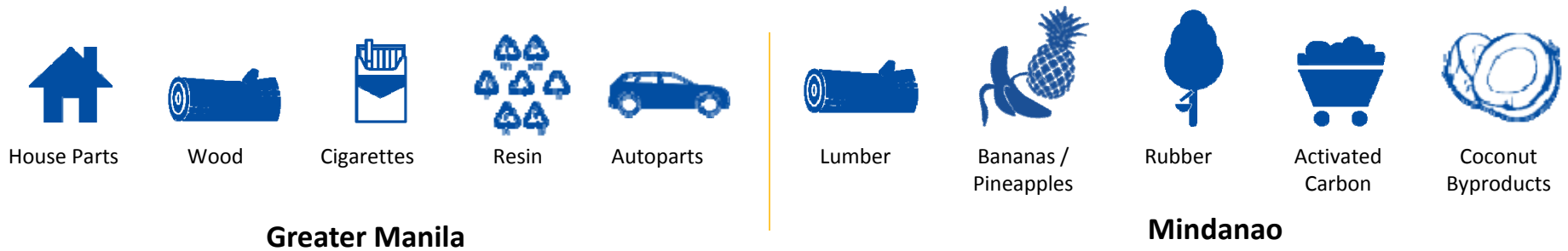
\* 7 of 10 top export partners and 9 of 10 top import partners are Asian countries (based on trade value)

## Trade Volume Ratio



\*GDP Growth projected at 6.2% in 2017 (Source: [ADB](#))

## Top Export Commodities for International Trade

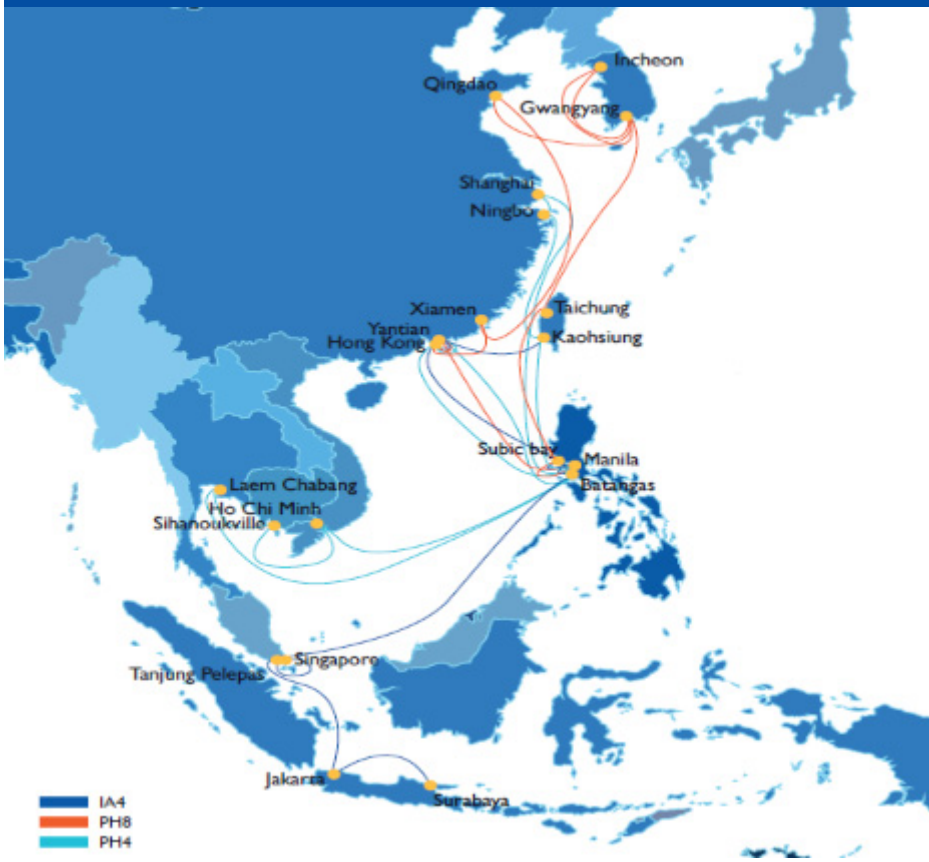


Note: Top export commodities is based on trade value

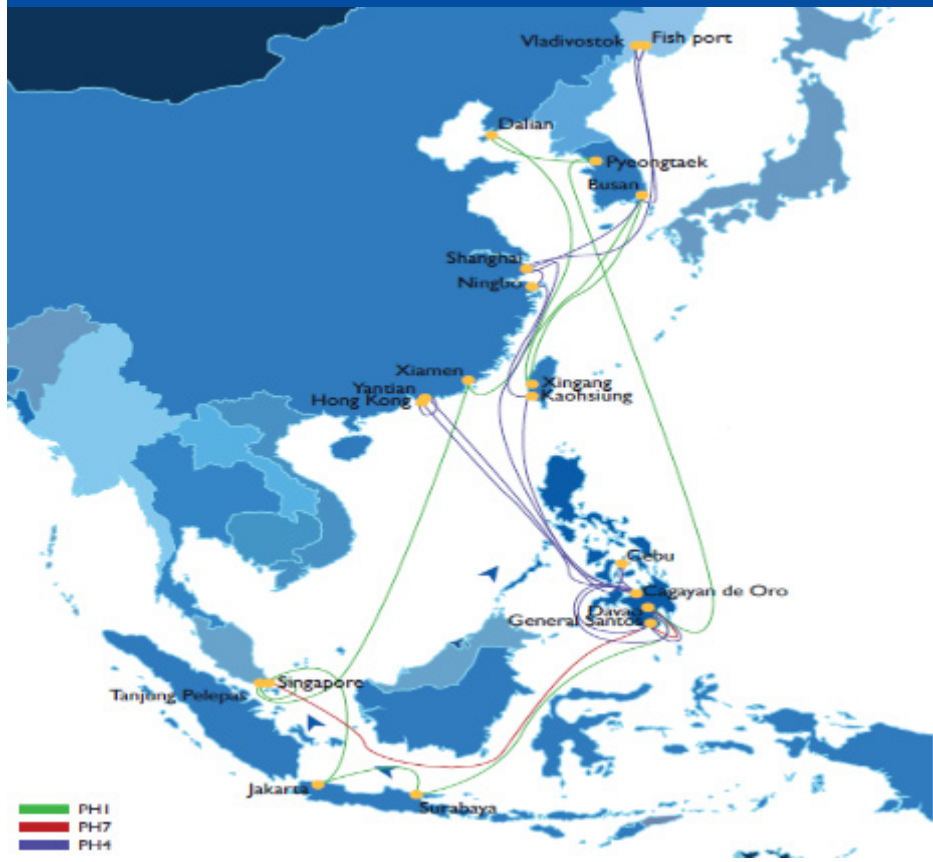
Your Intra-Asia Partner

# MCC Intra-Asia Network in Philippines

## North Philippines



## South Philippines



Port	# of Services calling each port
Manila (MICT)	4
Manila (ATI)	2
Batangas	3
Subic	2

Port	# of Services calling each port
Davao	3
Cagayan de Oro	3
General Santos	2
Cebu	1



# Philippines: Future Transshipment Hub?

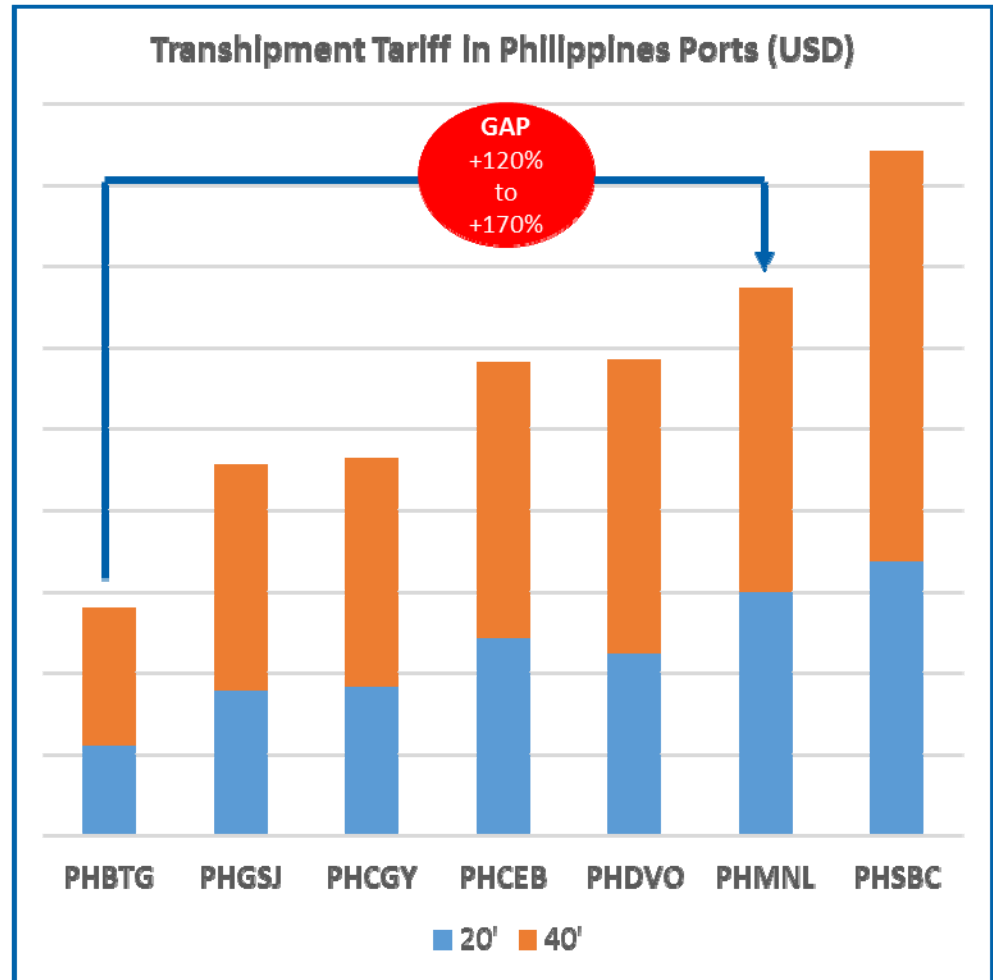
## Philippines as the next transshipment hub

- ☐ Strategic geographical location
- ☐ A step in a positive direction – allowing co-load foreign cargoes for domestic transshipment.

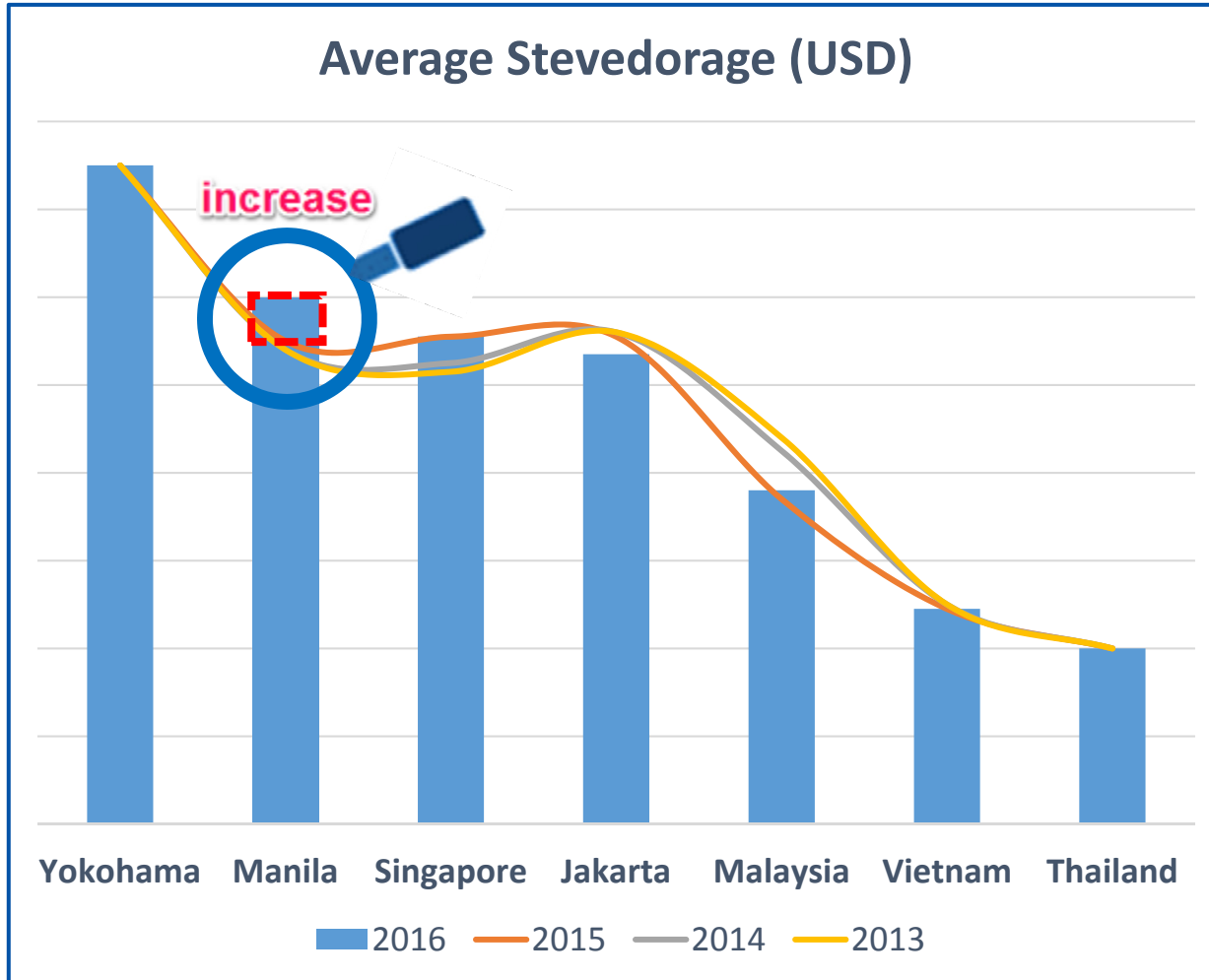
## What Philippine Ports need to compete:

- ☐ Port infrastructure and deeper draft to accommodate larger vessels
- ☐ High capacity equipment and yard
- ☐ Competitive transshipment cost
- ☐ Free zone
- ☐ Streamlined customs involvement

Transshipment Tariff In Philippines Ports (USD)



# Stevedorage Comparison



## Rates spike in Manila

Rates increase in the last 5 years



Nov 2011 – 6%

Apr 2012 – 11%

Dec 2015 – 8%

- ❓ Despite “highly challenged” shipping market, port and stevedorage charges in Manila increase by 8% in Dec 2015.
- ❓ Manila not only adjust basic CY rates, but also the vessel and cargo related charges. Create a big impact to Carriers’ Total Cost Ownership (TCO).
- ❓ Average stevedorage in Manila is now higher than Singapore.
- ❓ Above despite terminal upside through currency and reduced oil/electricity prices



# Win – Win Opportunities for Lines and Terminals



- **Berth Window Optimization** - Improving discipline of Lines and Terminals i.e. Davao/Gensan can improve planning for both and greatly improve productivity and schedule reliability.



- **Efficiency Improvements** – Terminal and Lines need to work together to realize productivity improvements, like reducing re-nominations or utilizing idle crane time.



- **Combined ship and terminal planning** – Can deliver a better plan and minimize man-hours.



- **Electronic Interchange** – Increased EDI offers opportunities to improve efficiencies for both Terminals and Lines.



- **Trans-shipments** - Special rates for trans-shipment moves can encourage a lot of volumes to move to a Terminal and yield network savings for Lines.

# Win – Win Benefits for Lines and Terminals



- **Improved safety** - Better planning and preparation allows safer operations for Terminal staff and Ships crew, saving lives and saving money.



- **Terminal and Carrier reputation** – Efficient operations bolsters the Terminals reputation and allows Lines to operate more reliably.



- **Additional services to customers** – Close co-operations allows the two parties to develop new products for their shared customers such as Delay in Transit, CFS, Sea to air products etc.



- **Reduced damage to cargo, ships and terminal equipment** – Equipment damage has a serious impact on productivity and increases costs. Better co-operation can help avoid many incidents.

# The five elements of creating partnerships

We believe that every single day we spend dealing with our customers is an opportunity to strengthen our relationships, and this is key to ensuring repeat businesses. Thus our teams are dedicated to providing you with excellent customer experience by following 5 simple guiding principles:



## **Be solution-minded.**

Understand customer needs, innovate and create alternatives that add value.



## **Deliver commitment.**

Set clear expectations, follow-up on commitment and keep constant communication.



## **Take ownership.**

Take responsibility, be proactive and resolve issues with focus on outcome.



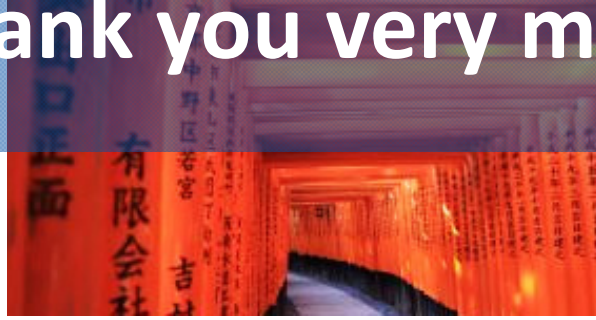
## **Show empathy**

Understand our customers' side, be a good listener and show genuine interest.



## **Be passionate.**

Show enthusiasm, enjoy what we do and bring positive energy to motivate self and others.



Thank you very much!