

### **Ocean Alliance stresses stability with five-year extension**



**Ocean Alliance has chosen a period of crisis and flux to emphasise the container lines' commitment to stability and cooperation by announcing an extension to the grouping of five years, from 2027.**

[Nick Savides](#) | Feb 27, 2024

Given the development of the Gemini Cooperation, between [Hapag-Lloyd](#) and [Maersk](#), which will see an innovative hub and spoke system, aiming to offer high quality services, with reliability and sustainability at its core the market looks to be splitting in two. The traditionalists, Ocean Alliance and [MSC](#), offering a budget service, compared to Gemini's slick premium network, boasting predictable delivery times.

Will this work? Drewry Shipping consultants says, “this remains an open question. We will just have to see what happens when the operation starts.” However, all the carriers, who have already met many challenges in this decade, will be faced with more tests to come.

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Since 2020 container trades have been hit by a series of major crisis, beginning with the pandemic, followed by war in Ukraine and then in the Middle East, raising political tensions. The second half of this critical decade will likely be just as tumultuous as lines grapple with new regulations to deal with the climate change are introduced.

This year saw the introduction of the EU Emissions Trading System (EU ETS) which will progressively become more stringent as we approach 2030, while the FuelEU regulation which comes into force in January 2025, that will decrease the carbon intensity of fuels by 2%/year, reaching 80% by 2050.

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With all these major challenges the container shipping trade, buoyed by its \$300 billion bonanza caused by the pandemic, is in a healthy position to cope with the reorganisation of the industry.

## **Selling on stability**

For the Ocean Alliance, however, its major selling point is its stability.

Rodolphe Saadé, Chairman and CEO of the [CMA CGM](#) Group, said: that from 2017 CMA CGM and its Ocean Alliance partners, Cosco, [OOCL](#) and [Evergreen](#), have been committed to the alliance.

“The decision to extend our cooperation for at least five more years forges our commitment to meet our customers' needs and build even more secure, reliable

and sustainable supply chains. Our diversity is our strength, together we will continue to pioneer our industry."

In a timely webinar on the container shipping alliances Drewry MD Tim Power and senior associate Tony Mason sought to clarify the shifts in the market that will come when 2M is dissolved next year, and with the further clarification that the Ocean Alliance will prolong its collaboration.

Ocean Alliance will have the largest network, with the most services offered. It is THE Alliance (THEA) that will perhaps be the biggest loser, particularly on the Atlantic where Hapag-Lloyd operates most of THEA's services, and when the German carrier joins the Gemini Cooperation in February next year, THEA will have just one Atlantic loop, said Drewry.

Drewry also looked closely at the Gemini services which will operate with shortened mainline services and the carriers. Maersk and Hapag-Lloyd, have said they will use shuttle ships to deliver freight to secondary port destinations, however, these 'feeder ships' will be comprised of a series of vessels in and around the 6,000 teu range.

"Maersk and Hapag-Lloyd have stated that reliability and on-time delivery are key objectives. It is therefore logical to suppose that this offer, if it is delivered in practice, will appeal more to those BCOs to whom reliability is particularly valuable," said Power.

### **Traditional versus premium**

There is, however, a differentiation between the two types of carrier services, Ocean Alliance and MSC will offer a more traditional port-to-port service, while Gemini will offer a premium service that should offer better reliability, and environmentally beneficial savings through a reduction in emissions.

Gemini lines will need to “deliver higher reliability, competitive frequency and transit times,” to compete said Power, adding that “It may turn out that Ocean can beat Gemini on these parameters.”

It is unclear whether Ocean and MSC’s large vessel network offering more direct calls will be able to cut costs sufficiently and be reliable enough to attract more freight to their ships.

Although transshipment is more common and reliable now the market competitiveness of Gemini is “underpinned by the shuttle services,” said Power. He pointed out that Gemini will benefit as fuel costs rise, in the global sustainability drive, because the larger vessels will be making shorter journeys.

That could be offset by the more complex operation of getting shuttles to meet mainline ships in a timely fashion, handling the freight rapidly and moving the shuttles on. “There will be big [cargo] exchanges with mainline ships, and the terminal handling charges will be higher, but the stowage plans for the shuttles will be far simpler, all on and all off,” explained Power.

Moreover, Power points to the role that freight forwarders will play in deciding which services to use: “Large forwarders will continue to buy capacity from a wide range of lines to construct complete transport packages for customers.”

In the end Drewry expect the container shipping lines will respond to the shippers’ demand, and that container shipping remains a commodity rather than a service.

When asked will a two-tier market develop in container shipping as a result of the Gemini Cooperation? Power said: “The default position for BCOs is to buy on price in a commoditised market. I expect that this will continue to be the case. This means, in my view, that the market will not split in the way you describe.”

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