

A.P. Moller Maersk



Venturing into a new era of reliable and sustainable logistics

By HENRIK JENSEN,
Managing Director, Maersk Oceania

In my message to you in last year's Annual Review, I finished with a rhetorical question, asking if 2021 would bring us some unforeseen challenges. As I write this, a mere two months before we ring in 2022, it's safe to say that this year has seen a chain of events that nobody could have predicted. Many metaphors have been used to describe 2021, but to me the last 12 months will go down in history as a 'trade growth tsunami'.

The global demand rebound from the initial COVID-19 shutdown has been nothing short of dramatic, and very unforeseen. Driven by pent-up consumer spending and government stimulus, this year we have seen the highest global growth rates in over 80 years, with the WTO predicting global merchandise trade volume growth of 10.8% in 2021.

Dealing with this tidal wave of demand has put extraordinary pressure on the entire supply chain ecosystem. Warehousing, terminals, trucking, rail and ocean freight have all been overwhelmed by the 'black swan' combination of historically high volumes and COVID related constraints. The situation has caused wide-spread congestion in ports and inland transport across the world; even seeing vessels waiting outside Australian ports for up to 18 days during the worst of times.

As a result of these challenging conditions, container carriers' ability to arrive on time has taken a turn for the worse in the past year. Only around three out of ten container vessels – or 35.6% during July 2021 – managed to deliver goods on time, shows Sea-Intelligence's most recent performance report. Maersk tops the list as the most reliable carrier, but with only 47.3% of our vessels globally arriving on schedule, we are far below the standard we want to offer our customers. For

Oceania, our July schedule reliability for outbound services to Asia came in at 33%, compared to the industry average of 23%. Whilst our performance is unsatisfactory, we are pleased to see that we remain the most reliable carrier, both globally and in Oceania.

Several factors have impacted schedule reliability in Oceania; from adverse weather to industrial action and COVID-19 cases at terminals. We continue to place high focus on restoring reliability, and we have taken several actions to best manage the situation and protect our long-term customers from the market volatility. Our mitigating actions include adding extra vessels to several of our Oceania services, focusing on equipment imbalance and empty evacuation and restructuring our network to add buffers from external shocks in the system.

We have a global reliability ambition of 95-100%. This is an absolute must-win battle for our teams at Maersk and we are working very hard to deliver on that ambition. From the conversations we have had with our Australian customers, we know that there is an appreciation of the overall situation and customers are aware of the local challenges and the global bottlenecks and network overload. We're pleased that our local customer satisfaction level is rising, as has been the case throughout the pandemic.

Even as the urgent priorities of the pandemic and supply chain challenges have kept us busy, sustainability remains at the top of our agenda, and we continue our commitment and support for the principles of the United Nations Global Compact. We see an acceleration in expectations from all stakeholders, not least customers, investors and employees.

Earlier this year, Maersk took a giant step forward in our decarbonisation commitment with an order for eight large ocean-going container vessels capable of running on carbon neutral methanol. This news follows recent announcements of the world's first feeder vessel to run on carbon neutral methanol and a sourcing agreement for that vessel's sustainably produced e-methanol.

The eight new ground-breaking 16,000 TEU (Twenty Foot Equivalent) container vessels are an industry first and will offer Maersk customers truly carbon neutral transportation at scale on ocean trades. The first vessel is scheduled to start operating in the first quarter of 2024, and the full series is expected to save around one million tonnes of annual CO2 emissions.

In the wake of the pandemic and as the 'new normal', we know our customers are asking for resilient and flexible supply chains. These advanced vessels will be designed to have a flexible operational profile, enabling them to perform efficiently across many trades and accommodate diverse customer needs.

There is plenty of cause for optimism as we venture into this new era of reliable and sustainable logistics solutions, and we could not be more excited for the opportunity to work with all of you to make it happen. We will continue to focus on expanding our product portfolio globally and in Oceania. Please stay tuned for more on this front!

To all the readers of the Shipping Australia Annual Review, we wish you fair winds and following seas in 2022! ▲