

Lloyd's List
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View From The Bridge: Andrew Abbott

The ACL story of stability against a turbulent backdrop

IN AN inherently turbulent industry, Atlantic Container Line has had a more chequered history than most ocean carriers.

Yet despite many changes in ownership since the transatlantic specialist was set up almost 50 years ago by a consortium of five major European shipowners, senior management has remained remarkably stable. So too has ACL's core business, with the line continuing to focus on the same trade lane that it has from the very beginning. At the helm now is Andrew Abbott, who undoubtedly knows the Atlantic trades better than anyone, having joined ACL in 1977.

Apart from brief spells with Waterman Steamship Corp and Orient Overseas Container Line between 1979 and 1983, he has remained with ACL ever since, taking over from Olav Rakkenes as president and chief executive in 2003.

Many of his senior staff have also worked for ACL for many years, providing stability and continuity that is rare in shipping these days, but which undoubtedly helps to foster customer loyalty.

Although based in New Jersey, where ACL is headquartered, Mr Abbott criss-crosses the Atlantic frequently, making a point of visiting all the line's key accounts on a regular basis.

Indeed, that is one of ACL's perceived strengths; establishing close relationships with clients, whether they be shippers of containerised or ro-ro cargo.

The same goes for partner lines. ACL negotiated the industry's first slot charter arrangement with Hapag-Lloyd way back in 1986 when vessel-sharing agreements, alliances and consortia were an unknown quantity. The following year, ACL's five G3 ships were lengthened to accommodate the German carrier's extra space requirements. The partnership with Hapag-Lloyd continues to this day, with the pending amalgamation of CSAV's container business not expected to have any impact on this long-standing swap deal. The pair exchange 550 teu of space per week on each other's ships.

A BRIEF HISTORY OF ACL

1984-85 Five newly constructed third-generation ro-ro/containerships, the largest of their kind in the world with 2,160 teu capacity, enter service

1989-90 ownership a member Group, ac

1965 ACL set up as a consortium by five major European shipowners to operate multipurpose ships in the transatlantic trades

1986 Hapag-Lloyd and ACL sign the first ever space-sharing and charter agreement. The G3 vessels are lengthened to 292 m, increasing capacity to 3,100 teu

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"We have an excellent relationship with Hapag-Lloyd — they treat us like their best customer, we get flawless service from them, and we treat them the same way," says Mr Abbott.

The line also has a partnership with vehicle specialist WalleniusWilhelmsen, which goes back many years. The Scandinavian operator charters all the space on the car decks of ACL's ships between North America and northern Europe. Sweden's Wallenius was one of ACL's original founder shareholders.

Influencing change

ACL has always punched above its weight, both in terms of industry leadership and profile.

Although ranked by Lloyd's List Intelligence at number 81 in the world in terms of container capacity on its five multipurpose ships, ACL was at the forefront of the long-running battle with the European Commission over the legality of the Trans-Atlantic Conference Agreement, with the combative Mr Rakkenes leading the fight.

That bruising encounter persuaded Mr Abbott to make sure ACL never gets caught up in such regulatory conflict again, even quitting the former European Liner Affairs Association, a Brussels lobby group, some years ago rather than belong to an industry organisation and risk another antitrust investigation. But he has not shrunk from pressing for regulatory reform.

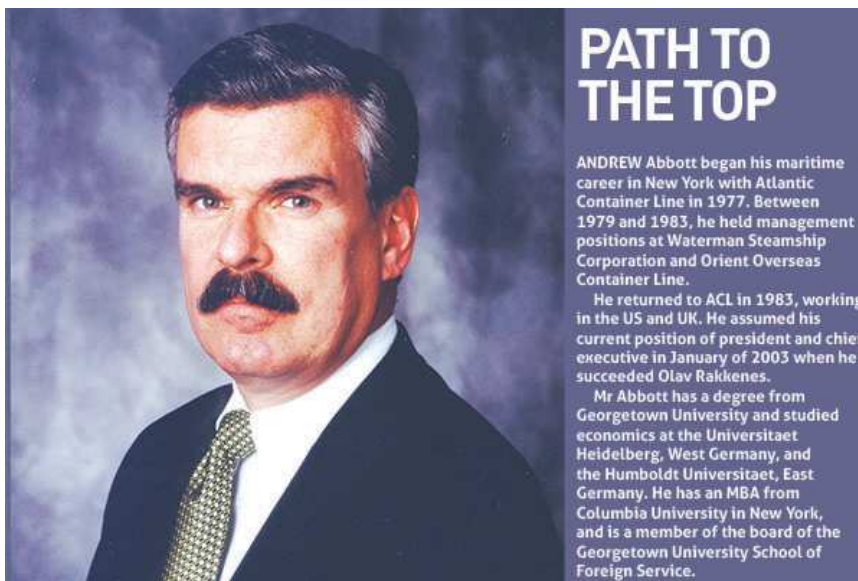
As one of the very few Americans in charge of an international shipping line, and one that happens to be headquartered in the US, he has tried to use his position to influence change in Washington.

He continues to push for the elimination of contract and tariff filing in the US, and has had several meetings with the Federal Maritime Commission on the subject, although with little obvious support from other carriers or major shippers.

"Nobody has ever told me of one single benefit of the filing process, yet nobody wants to bother to change it. It is a total waste of taxpayer dollars that hurts American exporters. But it doesn't go away," Mr Abbott grumbles.

However, "the wheels of government turn slowly, so I am unlikely to see any progress on this during my lifetime", he candidly acknowledges.

He has given up on efforts to have the protectionist Jones Act repealed, though, with too many vested interests involved.



On another matter, and one which directly affected ACL, Mr Abbott decided to more or less take the law into his own hands a few years ago because of frustration over the reluctance of authorities in several European countries to intervene when stowaways were found.

With their car ramps and regular sailings to North America, ACL's ships are more vulnerable than most to stowaways, but following one particularly unpleasant incident when crewmembers were threatened by a group of men trying to reach Canada illegally, Mr Abbott had some containers converted to temporary cells to detain any stowaways found onboard.

But the problem persists, with a pair found hidden inside cargo earlier this year. They were handed over to the Liverpool police, who have been more helpful in trying to tackle the problem of stowaways than their mainland European counterparts who prefer to turn a blind eye.

Firm focus

Now owned by Italian ro-ro- specialist Grimaldi, ACL has been able to broaden its global reach through the network of its parent company, but nevertheless remains firmly focused on the Atlantic where it hopes to escape any major upheavals created by the mega-alliances taking shape.

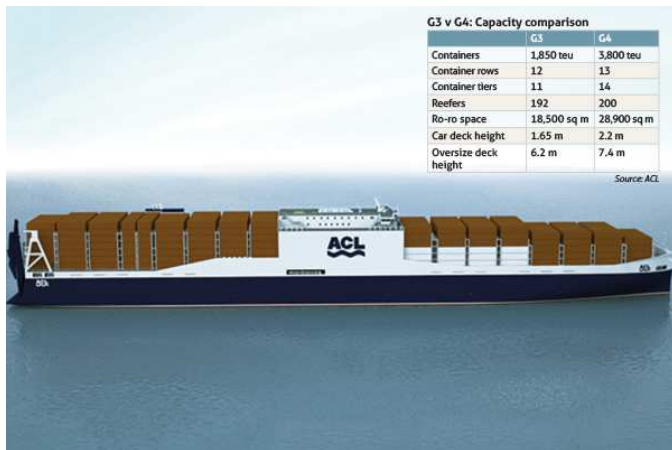
But its powerful owner, with annual turnover of €23bn (\$3.1bn) and a fleet in excess of 120 ships, proved a great asset when ACL placed its newbuilding order in mid-2012, taking advantage of attractively low prices.

The five largest ro-ro/containerships ever built are due to enter service next year, with the first scheduled for delivery in May, replacing the G3 vessels that are now 30 years old, albeit with an excellent safety record. These will either be scrapped or sold to the military, not to a potential competitor.

The newbuilding contract was won by state-owned Shanghai-based Hudong-Zhonghua, which beat of stiff competition from other yards in both China and South Korea.

The price has not been revealed, but the company said at the time the order was placed that it would finance up to 40% of the contract from its own cash resources and, as a profitable operator, expects to have no problems raising funds for the final downpayments. The ships incorporate many radical new design features, and will look more like a conventional containership because of the new configuration and location of the ro-ro decks.

They will have a capacity of 3,800 teu, plus 764 ro-ro units and 1,307 cars. The footprint is almost the same as the existing ships but container capacity will more than double, while ro-ro unit space will be 45% larger than for the G3 ships.



ACL's new G4 vessels — the largest ro-ro/containerships ever built — are due to enter service next year.

Although the ships will be built in Asia, European manufacturers are supplying much of the equipment, including the engines and ramps, for ease of subsequent repairs and maintenance.

The final port schedule for the new ships has not been decided yet, with ACL keen to add a southern US call to take advantage of the big forest product market and large number of European cars and yachts shipped to that region.

That may mean dropping one of its existing calls, but Mr Abbott recently confirmed that ACL would continue to serve Liverpool, where the line is also expanding its local office as more documentation, accounting and ship planning work is shifted to Merseyside. In line with Grimaldi's preference to own rather than rent property, ACL is investing in its own 40,000 sq ft four floor office block in Liverpool that should be completed by the end of 2015, and allows plenty of room for growth.

Capacity and coverage

The new ships will be entering service just as the big new global alliances being formed become fully operational. But Mr Abbott is not too concerned about the potential impact of these mega-consortia on the Atlantic trades.

Press review

“It doesn’t look as if, on the Atlantic, there will be any significant change in capacity or coverage,” says Mr Abbott, having studied plans of the P3 and G6 alliances.

Some duplication may be eliminated but, overall, services appear to be staying much the same, he thinks. That may reflect the fact that the Atlantic is basically a flat trade, with little underlying growth, and so is of less interest to the global players than the Asia-Europe or transpacific trades. In such a small market as the North Atlantic, it makes no sense to deploy the very biggest ships now entering service.

“So at this stage, I see a fairly stable situation,” he says.

“Down the road, who knows, but for now, everything looks as if it is staying basically the same.”

Neither does Mr Abbott anticipate much of an impact on the Atlantic trades of the enlarged Panama Canal, with end-to-end services still the easiest to manage despite talk about new-style pendulum loops connecting Asia, the US and Europe via the enlarged waterway.

Rather than worry about what might happen in the months and years ahead, Mr Abbott and his staff have been fully occupied in recent weeks struggling with the schedule chaos caused by one of the harshest winters on record for much of North America.

“The first three months of this year were skewed enormously because of absolutely atrocious weather conditions,” Mr Abbott recalls.

“On Christmas Eve, every single ACL ship was to the hour on time. Within a month, we were a week late almost across the board and all because of weather.” Ships sailing westbound were losing two or three days as they battled at full speed against headwinds.

New York alone was hit by 14 snow storms of three inches deep or more in the first quarter of 2014. Truck queues over a mile long built up at the gate in New York , while there were numerous train derailments, all of which created supply chain havoc that did not start to improve until April.

Nevertheless, underlying trade conditions have been promising, with ACL ships full westbound for containers, ro-ro cargo and cars. The same is true for other carriers as the US housing and automobile markets recover.

Utilisation eastbound has been around 85% to 90% for containers, but ro-ro load factors have been nearer 75%, reflecting still-weak demand for infrastructure equipment in Europe.

But looking ahead, it is the arrival and introduction of the world’s largest multipurpose ships — and ACL’s first newbuildings since the mid-1980s — that will be the focus of attention for Mr Abbott and his tight-knit team in the months to come.