

## Whatever Happened to Real Consortia?

*“Can you tell me, please, which way I ought to go from here?”* said Alice

*“That depends a good deal on where you want to get to”* said the cat

Lewis Carroll – *Alice’s Adventures in Wonderland*

The EU Regulation 823/200 seems to hang over the heads of the major container carriers involved in ‘Consortium’ partnerships like some mythical sword of Damocles. Whilst the container industry abounds with alliances of all shapes and sizes, these are certainly not consortia in the traditional sense as envisaged by the founding fathers of containerisation. They would have considered today’s alliances as little more than glorified vessel sharing agreements, albeit with a few additional ‘bells and whistles’ to modernise their image.

The original consortia contracts which were the basis behind the likes of OCL, Scan Dutch and ACL virtually enlisted the participating carriers into a full commercial venture. The resultant organisations provided financial benefits to their shareholders, commercial uniformity and operational efficiency. Although both OCL and ScanDutch have been absorbed in corporate mergers, ACL is, for its size, still the most profitable company in the liner shipping world.

Would these types of consortia be found acceptable in today’s politically driven business environment? The answer to this may well depend on the extent of the global economic downturn and the effectiveness of the carriers’ in pleading their case.

Before furthering this case for the restoration of full consortium credentials, it is worth reviewing some of the aspects of current alliance partnerships. Most of today’s groupings integrate the participating carriers’ vessels into dedicated trade lanes with schedules which generally provide a weekly service frequency with common ports, terminals and transit times. Whilst some ad hoc exchange of equipment does take place, there are no recognised pooling arrangements nor common inland clearance depots, container yards or feeder services.

Marketing methods, commercial practices and financial processes are unique to each carrier, albeit that certain types of cargo, such as reefer, hazardous and oversized units will require clearance through a marine coordination centre prior to the bookings being confirmed. IT systems are certainly the province of each carrier’s organisation as indeed are the regional and local agency offices.

A full consortia organisation, on the other hand, requires that all business processes are channelled through a single corporate entity. A traditional organisational structure exists which links the management company to its shareholders above and to its regional and area offices below. The shareholders, consisting of the participating carriers, elect a Board of Directors for the Holding

Company and it is to these that the Directors of the management organisation report on a quarterly basis.

The senior staff for the consortium company are normally recruited from the ranks of the parent companies, whilst the majority of the personnel are to be found from experienced practitioners local to the management head office. Since the consortium functions as a single entity, there are no inter-company demarcation boundaries and hence far greater overall cost efficiencies can be achieved.

Would the resultant cost savings be deemed sufficient to justify turning an alliance into a consortium? This is a question that only the present alliance members can answer, but certainly reduction of overlapping functions have in the past proved substantially beneficial for the carriers which have chosen to follow this route. Why has this not been done before? One can only assume that the financial haemorrhage has not been sufficiently life threatening.

Has the situation now become that acute? All the signs would suggest that liner shipping in general and container operations in particular are heading for a prolonged period of negative profitability and retrenchment. This period of relative inactivity should be used to reflect on the structures employed in the management and organisation of the companies' business processes. Rather than just playing 'catch up' and trimming their peripheral boundaries, carriers should adopt a much more comprehensive approach which would place the international transport industry in a healthier state as it emerges from the recession. The adoption of sounder financial partnerships in the form of full consortia contracts may well be one of the key issues for consideration. Remember the saying "*if it ain't broke, don't fix it*", adapted by Tom Peters with the rejoinder "*... you just haven't looked hard enough. Fix it anyway!*"

Changing cultural patterns which have existed for decades in the case of some alliance groupings can be problematic when tackled from the inside. An external catalyst may therefore be needed to provide a new perspective of a company's activities. Cambridge Academy of Transport has both this perspective and the experience to orchestrate the internal debates which are bound to precede any fundamental change. Why not call us to discuss our views on real consortia and you will be surprised at the role that fresh thinking can play.

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January 2009  
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