Challenging traditional beliefs
A reflection on the state and strategies of the liner shipping industry

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Abstract
“The ship designer has always been the pacemaker in shipping transport innovations since his creation has merely to float and sail economically per ton mile”... (Sturmey, 1975, p 102)

Container shipping has not been an exception to this phenomenon. Literature widely describes the increase of vessel dimensions in the context of container vessel generations, and vessel size is frequently argued to be one of the main strategies of shipping lines to reduce costs and maintain competitiveness, at the same time the argument of size is one of the main reasons for the ocean carriers’ concentration process. While increased vessel size allows for deriving economies of scale, vessels, markets and corporate strategies have undergone significant changes in the recent past. Hence, an emerging question is whether the simple principle of economies of scale is still a valid argument, or if current tendencies need a broader and more complex discussion to understand the continued increase of vessels even in stagnating and sometimes declining markets.

Seeking economies of scale has also led the shipping industry to create larger companies. These concentration tendencies through mergers, strong alliances and takeovers are changing the structures in specific markets and, in general terms, the maritime industry as a whole. Further, some markets are threatened to suffer from collusive behaviour and oligopolistic market structures, with shippers paying higher prices for shipping services that might leave their products in an uncompetitive position at a global scale.

The lecture addresses the context of recent changes in the shipping industry; reflects on the concepts of ‘economies of scale’ and ‘industrial capacity’ and revises the measures of capacity adjustment strategies, with an emphasis on the evolution of variables of demand and supply and their adjustment; finally, the discussion shall address the implications for the countries in the Americas and implications on and limitations of regulation.

Keywords: economies of scale, alliances, market concentration, collusion, shipping lines competition.
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