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TAIWAN

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TAIWAN AND ITS 'MIRACLE' SUCCESSES

Shipping & Logistics



TAIWAN'S SHIPPING INDUSTRY SAILING AT FULL STEAM

Wan Hai Lines

In the extremely competitive world of cargo shipping, in which international markets grow and change at outstanding speeds, in which commercial routes are constantly shifting directions in the search for the most efficient combinations of port services and operations, Taiwanese carrier Wan Hai Lines has managed to stay not only afloat, but at the forefront of its industry. Founded in 1965 as a log shipping company mainly trading with Japan and Southeast Asia, Wan Hai Lines soon entered the business of container vessel shipping, in response to the rapid development of international trade in the Asia-Pacific region and the international trend in transportation towards what is commonly known as containerization. Today, the company operates through shipping services, shipping agency services, operation of port container stations and leasing and sale of ships and containers, providing full-container shipping and covering numerous international ports in all major port cities of Asia and in numerous hubs in North and South America, Eastern and Western Europe, Africa and the Middle East.

Representing approximately 15% of market share in the region, Wan Hai Lines ranks number one in both services coverage and sailing frequencies in Asia, an achievement which has endowed it with the epitome of the Asian specialists in transportation. Its 75 operative routes, covered by 83 vessels, call at 89 major international commercial ports, giving it the most comprehensive and intensive service network available in Asia. In a 2016 research survey that included the world's top container liners, Wan Hai Lines came out first in schedule reliability. According to Chairman Mr. Po-Ting Chen, the company's commitment to its customers is not only an added value, but "a fundamental part of our success".

Achievements such as these come rare in a time in which the global economic slowdown of 2008, which affected many sectors of industrial production, has had a particularly worrisome effect on the international transportation of goods, hurting freight costs and reducing global demand for overseas products. Certainly the breaking point in this temporary crisis, which sent ports and carriers into confusion regarding the future of transshipment, was the plunging of South Korean shipping line Hanjin, a major player in the industry representing nearly 8% of the trans-Pacific trade volume for the US market and which filed for bankruptcy in September 2016, leaving tens of millions of dollars in goods stranded in ports all around the Pacific. The sinking of Hanjin had a ripple effect throughout the global supply chain and caused damage to both consumers and producers in the US. According to The Guardian, the company had been losing money for years, and its collapse was partly caused by a lack of regulatory control on the part of the Korean state and the state-run bank that led the company's creditors.

As particular as this case might have been, it was nevertheless not an isolated incident, as it was shortly followed by the collapse of other Korean and Chinese carriers, and by a merger of the three largest shipping companies in Japan designed to avoid a similar catastrophe. The case was admittedly different in Taiwan, where the state offered two of the main shipping conglomerates facing

trouble a relief package worth US\$1.9 billion, showing that the administration recognized the difficulties faced by the industry and was prepared to lend its support. According to the Financial Times, the bailout of those shipping giants certainly helped to stabilize the whole industry in the face of global economic difficulties.

Such circumstances, nevertheless, do not wholly account for the resilience of companies such as Wan Hai Lines, who were not part of the relief package and yet were able to push through. According to Mr. Chen, the company owes its present position to a complex strategy that consists of a clockwork set of actions and decisions following three main general directives. "Firstly, in order to have a robust performance and a highly efficient operation, we must compete wisely and carefully", explains Mr. Chen, whose company is used to competing with carriers that are much stronger in terms of economic scale, as that tend to be formed by very big conglomerates who have recently begun to team up as consortia and have thus grown considerably more powerful. The second key effort is flexibility. Statistics and information related to the shipping industry is not only dynamic, but also public. Therefore, it is paramount for the company to look beyond the numbers and devise a strategy for operation different from the ones most managements in the industry might choose, in order to stay ahead of unforeseen changes or circumstances. Such a strategy must nevertheless include the colleagues and collaborators of the company, on which relies the functioning of the whole system and some of which have been in partnership for more than forty years. The third key effort is thus maintaining the competitiveness of colleagues and collaborators. "The combination of these three factors", explains Mr. Chen "has helped us immensely in becoming a strong and solid player in such a furiously competitive market".

One particular instance in which Wan Hai Line's strategy has already proven successful in outpacing competitors is in flexibility of operation. Currently the shipping industry is experiencing a relative halt in growth which has pushed alliances between carriers to be reshuffled and many new consortia to emerge. Mergers, takeovers and alliances between the larger liner shipping companies have allowed them to consolidate domination over the market by redeploying their fleets and reconfiguring and rescheduling their services. According to shipping scholar Kevin Cullinane, "this has led to a worldwide rationalization of container transport so that fewer and fewer container ports are called at directly by mainline vessels".

Aggregately, such consortia will represent as much as 95% percent of the market share in the near future, and as such pose a considerable threat. Nevertheless, what lines may gain in lower costs and wider coverage by teaming up together, they may very well lose in flexibility of operation. And this is where Wan Hai Line's tailored services and impeccable schedule reliability have made a difference. "For customers", Mr. Chen explains, "service is almost the same among different carriers, but only independent



Po Ting Chen, Chairman of Wan Hai Lines.

carriers like us are able to provide the more compelling services required by particular customers".

REPRESENTING APPROXIMATELY 15% of market share in the region, Wan Hai Lines ranks number one in both services coverage and sailing frequencies in Asia.

In an industry of large consortia and impersonal conglomerates, it all comes down to creating a company that customers can trust reason for which Wan Hai Lines has a strong commitment to both social responsibility and the environment. Through Wan Hai Foundation, created in 2003, the company supports numerous activities and campaigns promoted by relevant international organizations and have made generous donations to areas hit by devastating catastrophes, such as Sichuan in China and Fukushima in Japan after the earthquakes. In these cases, they offered its vessels for delivering relief supplies to those in urgent need. In terms of the protection of the environment, the company has also invested in the future well beyond expectations or requirements of law, adopting the latest technologies to make its ships more environmentally friendly, monitoring pollution, carrying out a full implementation of an Environmental Management System, and requesting contractors and business partners to enhance environmental protection awareness through joint observation of environmental protection regulations. "We constantly strive to remain a trustworthy institution", says Mr.Chen.

Certainly, a globalized industry such as shipping must act globally and take onto itself the concerns of the world as a whole, and along this responsibility also come broader challenges. Perhaps the most pressing one is that of geopolitics, and the current state of uncertainty regarding protectionism in international trade, and whether or not it will resurrect. "In my perspective", says Mr. Chen, "no market can stay away from trading goods with others given that the supply chain is a highly exquisite mechanism and is borderless in today's world". In fact, experts agree on the fact that protectionism or an ensuing trade war could cause tremendous damage to the industry and affect thousands of consumers. So far, nevertheless, there have been no measures taken in that respect, nor have shipping activities been affected, despite numerous

- ➔ Taiwan earmarks \$1.9B to support ailing shipping industry.
- ➔ The Taiwanese government said it will provide 60 billion New Taiwan dollars (\$1.9 billion) to support the country's shipping industry.
- ➔ The government announced that it would take additional steps to support the shipping industry, including reducing berthing fees while the country's Bankers Association will grant the shipping lines debt payment extension.

occurrences of protectionist policies being supported through elections. "We do not know how far protectionist measures can or will go, and we will not take any drastic actions until we can see a clearer picture", says Mr. Chen. For the time being a more pressing matter is taking the attention of the management team, which translates into gaining a more solid foothold in the American market. Taiwan's trading relationship with the US has gone through more and less difficult moments, but the US has continued to be an important trading partner for Taiwan, which depends on the success of that partnership to secure greater participation in global and regional trade and economic integration. In order to achieve continued growth in trade, Taiwan must maintain its important position within global supply chains and a standard of operation that will place it ahead of its competitors.

"The American market is definitely an important market to us", Mr. Chen explains. "According to capacity deployment we now have less than 1.5% of the market share in the US West Coast, and we certainly want to increase that percentage in the long run". In order to achieve this, Mr. Chen is confident they have to walk cautiously, follow carefully the flows of cargo and the market tendencies, and continue doing what Wan Hai Lines does best: cooperating with other carriers to diversify products, and keep their customers close by offering an outstanding service. "This is how we came to be where we are", concludes Mr. Chen with a smile, "and why we come here every day to do the best we can"



Service is our Mission Stability is our Strength

持穩秉實 全心服務

WAN HAI LINES is the optimal choice

"With only WAN HAI LINES reporting a positive operating margin in the first half, few, if any, of the other carriers are financially bulletproof" - JOC

"WAN HAI LINES Ranked No. 1 in liner schedule reliability in 2016 from SeaIntel global liner performance report" - 2017.01

KEY FEATURES

Factors to consider when choosing your cargo transportation partner. Wan Hai has them all!

- Customer request processing within 24 hrs.
- Personalized and customized service.
- Most comprehensive network in Asia
- Steady sailing frequency
- Agility in connection
- Stable financial situation

SERVICE COVERAGE

WAN HAI LINES operates the most intensive service network in Asia. With 146 offices worldwide serving 32 countries and over 70 regular routes, customers are able to optimize their cargo deliveries without sacrificing efficiency.

Service coverage: The Far East, ASEAN, Indian Subcontinent, Middle East, North America west and South America west.

AWARDS & ACHIEVEMENTS

"Green Flag" awarded by Port of Long Beach 4 years in a row

AEO qualification certified by Customs Administration, MOF, Taiwan.

Five Times Winner of "Container Shipping Line of the Year India -Far East Trade Lane" by MALA

"Best Green Shipping Line 2016" by AFLAS

Two Times Winner "Container Shipping Line of the Year - Far East Trade Lane" by Gujarat Junction Asian Freight, Logistics and Supply Chain Awards

Best Shipping Agent, Customer Service for Colombo - Intra Asia Sector

Two Times Winner of "Most Admired Company in Taiwan in the shipping industry" by Common Wealth Magazine

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