

# Designing liner shipping networks

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## Abstract

In this paper the combined fleet-design, ship-scheduling and cargo-routing problem with limited availability of ships in liner shipping is considered. A genetic algorithm based solution method is proposed in which the ports are first aggregated into port cluster to reduce the problem size. When the cargo flows are disaggregated, a feeder service network is introduced to ship the cargo within a port cluster. The solution method is tested on a problem instance containing 58 ports on the Asia-Europe trade lane of Maersk. The best obtained profit gives an improvement of almost 20% compared to the reference network based on the Maersk network.

**Keywords:** Transportation, liner shipping, network design, scheduling

## 1 Introduction

Seaborne shipping is the most important mode of transport in international trade. More than 80% of the international trade in 2010 is transported over sea (UNCTAD (2010)). In comparison to other modes of freight transport, like truck, aircraft, train and pipeline, ships are preferred for moving large amounts of cargo over long distances.

In the shipping market, three types of operations are distinguished: tramp shipping, industrial shipping and liner shipping (Lawrence (1972)). Tramp ships do not have a fixed schedule and are used for immediate deliveries where the most profitable freight is available. Therefore, the activities in tramp shipping are very irregular. In industrial shipping the cargo owner controls the ship and the objective becomes to minimize the cost of shipping. In liner shipping, ships follow a fixed route within a fixed time schedule; this is most common in the container trade.

The decision making in liner shipping can be distinguished on three different levels: the strategic, tactical and operational planning levels (Agarwal and Ergun (2008)). In the strategic planning level the optimal fleet-design is determined. This means that both the optimal number of ships in a fleet and the optimal ship sizes are determined in this level. This stage is very important, because the capital and operating cost in the (liner) shipping industry are very high. The ship-scheduling problem is solved in the tactical planning level. In this level, the

service network is designed by creating ship routes and allocating the available ships to these routes. Finally, in the operational planning stage, it is determined which cargo is transported and which route(s) are used to ship the cargo. This problem is also referred to as the cargo-routing problem. The decisions made in a planning level influence the decision making in the other levels. Therefore, it could be profitable to solve the problems on the different levels simultaneously.

### 1.1 Literature review

The last decades, maritime transport has become a more popular field of research. In 1983 the first survey on ship routing and scheduling was published (Ronen (1983)). This survey gives a detailed overview on the research performed on ship routing and scheduling in the period before 1983. In a sequel, Ronen (1993) provides a detailed summary of published research on ship scheduling and related problem in the period from 1983-1993. Next, the survey of Christiansen et al. (2004) describes the major developments in the ship routing and scheduling problems in the period from 1994-2004. Finally, Wang and Meng (2011) give an overview of the most important existing literature on liner shipping studies and propose directions for further research.

Little research is performed on the determination of the optimal fleet design. Fagerholt (1999) develop a 3-phase solution approach to optimize the fleet size in liner shipping networks in which all feasible routes are generated and combined. Thereafter, the optimal fleet size is determined using a set partitioning problem, which is also solved in this phase. Powell and Perakis (1997) use an integer programming model to optimize the fleet deployment for a liner shipping company. They compare the results to the results obtained with a linear programming model. When using a linear programming model, manipulation of the results is needed to guarantee integer solutions. Both models become time consuming when the problem becomes larger.

Song et al. (2007) discuss a cargo allocation model with two objectives. The first objective is to minimize the unassigned cargo volume. The second objective is to minimize total costs corresponding to a given minimal unassigned cargo volume. Because the model is very difficult to solve by analytical methods, the solution space is first truncated. Thereafter, the authors select priority rules and make use of heuristics to find solutions of the model.

Most research is related to the combined ship-scheduling and cargo-routing problem. First, Rana and Vickson (1991) and Fagerholt (2004) present integer programming problems to solve the combined ship-scheduling and cargo-routing problem. They are able to solve small instances in a reasonable amount of time, but for larger instances their methods become too time consuming.

Next, some research exists in which mathematical programming methods, like Benders decomposition, are used to solve the combined ship-scheduling and cargo-routing problem (see for example Agarwal and Ergun (2008), Álvarez (2009) and Gelareh and Pisinger (2011)). These methods can be used to solve some very small instances to optimality, but for larger instances heuristical methods are still needed.

## 1.2 Objective

The objective of this study is to develop a service network in liner shipping. The service network should consist of a set of routes, the allocation of ships to the routes, the sailing speed of the ships on each route and the allocation of cargo over the routes. In other words, our goal is to solve the fleet-design, ship-scheduling and cargo-routing problems simultaneously, where we consider the case with limited availability of ships. Since the combined fleet-design, ship-scheduling and cargo-routing problem is too large to solve efficiently, we choose to aggregate the ports in the model and use a genetic algorithm based method to solve the problem. Thereto, we construct a model that is able to optimally allocate the cargo to the available ships, when the ship schedules are known. Thereafter, the aggregated ports have to be disaggregated. To do this, we introduce feeder service to ship the cargo between the central port in a port cluster and all other ports of the same cluster. Furthermore, we propose a method that generates initial feasible ship schedules and computes the associated optimal cargo allocation and profit. Then, the genetic algorithm will generate new feasible ship schedules and this process will be repeated until a certain stopping criteria is met.

## 2 Problem formulation

We consider the combined fleet-design, ship-scheduling and cargo-routing problem with limited availability of ships. In this section, first the three individual problems are described. Thereafter, a formulation of the combined problem is given.

### 2.1 Fleet-design problem

The goal of the fleet-design problem is to determine the optimal composition of the fleet. In this problem, both the number and the size of ships in the fleet have to be determined. For the shipping company it is important to determine the optimal fleet design, because the costs related to the fleet are very high. Costs related to the fleet composition can be distinguished in two types: fixed cost (capital and operating cost) and variable cost (fuel cost).

The underlying route network and demand have to be considered when determining the fleet composition of a liner shipping company. However, the fleet design is determined for 10-20 years, because of the high cost incurred by replacing a ship. In such a period, the demand structure can change, which can cause changes in the route network. Therefore, when determining the optimal fleet design, both present and future demand have to be considered.

Economies of scale are another important factor in purchasing new ships. Larger ships usually have lower transportation cost per TEU than smaller ships. However, the fixed cost of larger ships are higher than that of smaller ships. The demand on the route that the ship will serve also influence the decision of the ship size.

## 2.2 Ship-scheduling problem

In the ship-scheduling problem, the service network has to be designed. A service network consists of a set of ship routes and the allocation of ships to the routes. Furthermore, the optimal sailing speed has to be determined for each ship route. A ship route is a sequence of ports that are visited by a ship. The ship routes are cyclic, so the begin and end port are the same.

The allocation of ships to routes can be restricted, because for example a port on the route cannot handle a certain type of ship. Once a ship is allocated to a certain route, it will serve this route during the whole planning horizon. Most shipping companies operate schedules in which each route is served once a week to maintain a customer base and to provide customers with a regular schedule (Agarwal and Ergun (2008)). Therefore, in general the number of ships needed for one ship route has to be at least equal to the number of weeks needed to complete an entire round tour (rounded above).

## 2.3 Cargo-routing problem

In the cargo-routing problem, the shipping company makes two decisions. They decide which demands they accept and which routes are used to transport this cargo from the origin to the destination port. When the cargo-routing problem is solved as an individual problem, the service network is known on beforehand. Our goal is to maximize the profit for one shipping company, so competition is not investigated. Revenues are obtained by transporting cargo between their origin and destination port. However, costs are also incurred by the transportation of the cargo. For some demand pairs the revenue that can be obtained will not exceed the cost incurred by transporting the cargo. This demand will then be rejected by the shipping company. Furthermore, it is possible that some profitable demands are rejected because other demands are more profitable.

When the demand of a demand pair is (partly) satisfied, the cargo will be picked up in the origin port and delivered at the destination port. When the origin port is visited on several ship routes, it has to be determined to which route the cargo is allocated. The same holds for the destination port. Some origin and destination ports will be visited on the same ship route, while other cargos have to be transhipped to other routes. All these decisions are made in the cargo-routing problem.

## 2.4 Combined fleet-design, ship-scheduling and cargo-routing problem

The decisions made in the three individual problems affect the decision making in the other problems as well. For example, when the service network is determined in the ship-scheduling problem, the network structure and capacity limits for the cargo-routing problem are set. This implies that a bad choice of service network in the ship-scheduling phase can result into lower profits in the cargo-routing phase. Therefore, it may be profitable to consider the individual problems at the same time.

In the combined fleet-design, ship-scheduling and cargo-routing problem, all decisions explained above in the three individual problems have to be taken at the same time. The problem

becomes to construct a service network and determine the routes used to transport cargo such that the profit is maximized given a certain demand matrix and cost/revenue data. In this research, we limit the available ships that we can use in the service network. Therefore, we only try to select the best ships out of the available ships instead of solving the fleet-design problem from scratch.

### 3 Model formulation

In this section, we discuss the methods used to solve the combined fleet-design, ship-scheduling and cargo-routing problem. First, we propose the linear programming model that can be used to solve the cargo-routing problem. Next, we explain the methods used to aggregate and disaggregate the ports. Thereafter, we discuss the method used to construct the initial service networks. Finally, we propose an algorithm to change the existing service networks in order to improve them.

#### 3.1 Cargo Allocation Model (CAM)

The cargo-routing problem can be formulated as a linear programming problem. To do this, we introduce the following sets:

$$\begin{aligned} h \in \mathcal{H} & \quad \text{set of harbors} \\ t \in \mathcal{T} & \quad \text{set of transhipment harbors} \\ s \in \mathcal{S} & \quad \text{set of ship routes} \end{aligned}$$

The following parameters are used in the model:

|                                    |  |
|------------------------------------|--|
| $r_{h_1, h_2}$                     | Revenue of transporting one TEU from harbor $h_1$ to harbor $h_2$  |
| $c_t^t$                            | Cost of transhipping one TEU in transhipment harbor $t$  |
| $c_h^h$                            | Cost of (un)loading one TEU in origin or destination harbor $h$  |
| $d_{h_1, h_2}$                     | Demand with origin harbor $h_1$ and destination harbor $h_2$   |
| $b_s$                              | Capacity on ship route $s$   |
| $I_{h_1, h_2, h_3, h_4, s}^{path}$ | 0/1 parameter that takes the value 1 if a ship passes consecutive harbors $h_3$ and $h_4$ when sailing from harbor $h_1$ to harbor $h_2$ on ship route $s$ |
| $I_{h_1, h_2, s}^{cycle}$          | 0/1 parameter that takes the value 1 if a ship passes both harbors $h_1$ and $h_2$ on ship route $s$   |
| $I_{h_1, h_2, s}^{cons}$           | 0/1 parameter that takes the value 1 if harbor $h_2$ is directly visited after harbor $h_1$ on ship route $s$  |

In the model formulation, we distinguish between direct flows and transhipment flows. Direct flows are cargo flows between the origin and destination harbor of a demand pair for which no transhipment movement has to be made. Cargo flows for which transhipment movements are

necessarily are called transhipment flows. Now, we introduce the following decision variables:

|                                  |   |
|----------------------------------|---|
| $x_{h_1, h_2, s}$                | Cargo flow on ship route $s$ between consecutive harbors $h_1$ and $h_2$  |
| $x_{h_1, h_2, s}^{od}$           | Direct cargo flow on ship route $s$ between harbors $h_1$ and $h_2$   |
| $x_{h_1, t, h_2, s}^{ot}$        | Transhipment flow on ship route $s$ between harbor $h_1$ and transhipment harbor $t$ with destination harbor $h_2$  |
| $x_{t, h, s_1, s_2}^{td}$        | Transhipment flow on ship route $s_2$ between transhipment harbor $t$ and destination harbor $h$ , where the flow to transhipment harbor $t$ was transported on ship route $s_1$                                    |
| $x_{t_1, t_2, h, s_1, s_2}^{tt}$ | Transhipment flow on ship route $s_2$ between transhipment harbor $t_1$ and transhipment harbor $t_2$ with destination harbor $h$ , where the flow to transhipment harbor $t_1$ was transported on ship route $s_1$ |
| $x_{h_1, h_2, s}^{tot}$          | Total cargo flow on ship route $s$ between harbors $h_1$ and $h_2$  |

Now, we can give the linear programming formulation.

$$\begin{aligned} \max \quad & \sum_{h_1, h_2, s} r_{h_1, h_2} \left( x_{h_1, h_2, s}^{od} + \sum_t x_{h_1, t, h_2, s}^{ot} \right. \\ & \left. - \sum_{h_1} c_{h_1}^h \left( \sum_{t, h_2, s} [x_{h_1, t, h_2, s}^{ot} + x_{h_2, t, h_1, s}^{ot}] + \sum_{h_2, s} [x_{h_1, h_2, s}^{od} + x_{h_2, h_1, s}^{od}] \right) \right. \\ & \left. - \sum_{t_1} c_{t_1}^t \left( \sum_{t_2, h_2, s_1, s_2} x_{t_1, t_2, h_2, s_1, s_2}^{tt} + \sum_{h_2, s_1, s_2} x_{t_1, h_2, s_1, s_2}^{td} \right) \right) \end{aligned} \quad (1)$$

subject to

$$\sum_{t, s} x_{h_1, t, h_2, s}^{ot} + \sum_s x_{h_1, h_2, s}^{od} \leq d_{h_1, h_2} \quad \forall h_1, h_2 \quad (2)$$

$$x_{h_1, h_2, s} \leq b_s \quad \forall h_1, h_2, s, I_{h_1, h_2, s}^{cons} = 1 \quad (3)$$

$$\begin{aligned} \sum_{h_1} x_{h_1, t_1, h_2, s_1}^{ot} + \sum_{t_2, s_2} x_{t_2, t_1, h_2, s_2, s_1}^{tt} \\ - \sum_{s_2} x_{t_1, h_2, s_1, s_2}^{td} - \sum_{t_2, s_2} x_{t_1, t_2, h_2, s_1, s_2}^{tt} = 0 \quad \forall t_1, h_2, s_1, I_{h_1, h_2, s}^{cycle} = 1 \end{aligned} \quad (4)$$

$$x_{h_1, h_2, s} - \sum_{h_3, h_4} x_{h_3, h_4, s}^{tot} I_{h_3, h_4, h_1, h_2, s}^{path} = 0 \quad \forall h_1, h_2, s, I_{h_1, h_2, s}^{cons} = 1 \quad (5)$$

$$\begin{aligned} x_{h_1, h_2, s_1}^{tot} - x_{h_1, h_2, s_1}^{od} - \sum_{h_3} x_{h_1, h_2, h_3, s_1}^{ot} \\ - \sum_{s_2} x_{h_1, h_2, s_2, s_1}^{td} - \sum_{h_3, s_2} x_{h_1, h_2, h_3, s_2, s_1}^{tt} = 0 \quad \forall h_1, h_2, s_1 \end{aligned} \quad (6)$$

$$x_{h_1, h_2, s} \geq 0 \quad \forall h_1, h_2, s, I_{h_1, h_2, s}^{cons} = 1 \quad (7)$$

$$x_{h_1, h_2, s}^{od} \geq 0 \quad \forall h_1, h_2, s \quad (8)$$

$$x_{t, h, s_1, s_2}^{td} \geq 0 \quad \forall h, t, s_1, s_2, I_{t, h, s_2}^{cycle} = 1 \quad (9)$$

$$x_{h_1, t, h_2, s}^{ot} \geq 0 \quad \forall h_1, h_2, t, s, I_{h_1, t, s}^{cycle} = 1 \quad (10)$$

$$x_{t_1, t_2, h, s_1, s_2}^{tt} \geq 0 \quad \forall h, t_1, t_2, s_1, s_2, I_{t_1, t_2, s_2}^{cycle} = 1 \quad (11)$$

The objective (1) of the cargo allocation problem is to maximize total profit. Profit is given by the revenue minus the costs. The costs only consist of (un)loading cost and transhipping cost, because the route network is given, so all other costs are fixed and can be subtracted afterwards.

Constraints (2) ensure that the total cargo shipped from one port to another does not exceed the demand of that port combination. Next, Constraints (3) make sure that the total load of a ship between each two consecutive harbors does not exceed the capacity of the ship. Constraints (4) ensure that the flow to a transhipment port with destination port  $h_2$  has to equal the flow from that transhipment port to the harbor  $h_2$ . In other words, they make sure that all flow unloaded to be transhipped, will also be loaded on another route. Constraints (5) define the the amount of flow between two consecutive ports and Constraints (6) define the total flow between each two ports in the same cycle. Finally, Constraints (7)-(11) guarantee a nonnegative flow between each two ports.

### 3.2 Aggregation of ports

When the problem instance becomes larger, the computational time of the cargo allocation model increases exponentially. Thus, for large problem instances, it is very time consuming to solve the cargo allocation model repeatedly. The size of the problem instance decreases when the number of ports is reduced. Therefore, the computational time of the cargo allocation model can be decreased by reducing the number of ports. It depends on the computational time of the CAM model to which number of ports the problem has to be reduced.

In a model with aggregated ports, ships stop only once per cluster. For each port cluster, the stop should always be at the same place. Therefore, three major decisions have to be made during the aggregation process. First, the ports that are aggregated into a port cluster have to be determined. Next, one of the ports in a cluster has to be chosen as the central port (the port of the cluster where ships will make their port visit). Finally, the data of individual ports have to be aggregated to port cluster data.

First, the method used to determine the ports that are aggregated into the same cluster is considered. Ports are aggregated based on their mutual distance. Ports that are relative near to each other are clustered. An upper bound on the distance between two ports that belong to the same cluster can be imposed. To avoid problems, we compare the distance of a port that we will add to the cluster with the central port. Thus, first the central port of the cluster has to be

determined. Thereto, we first make a list containing ports that should be central ports based on their expected yearly throughput. Furthermore, a list of ports that are not allowed to be central ports (noncentral ports) and a list with all remaining (intermediary) ports are made. These lists can now be used to design the clusters as will be explained in the remainder of this section.

First, for each harbor on the central port list a cluster is created. The harbors of the other two list that are within the maximum distance to their closest central port are added to the corresponding cluster. If there are intermediary ports remaining that are not yet added to one of the clusters, a new cluster is created for the largest intermediary port, which becomes a central port. All intermediary and noncentral ports that are closest to this port (compared to the other central ports) and within the maximum distance are added to this new cluster (if a port was already allocated to one of the other clusters, it is removed from this old cluster). This is repeated until all intermediary ports are allocated to a cluster. Finally, if there are still some noncentral ports remaining, they are allocated to the cluster they are closest to. Note that in this last step the maximum distance between ports in the same cluster is exceeded. However, it is assumed to be more profitable to add these ports to a cluster and serve their demand using feeder services than to serve these ports using liner services.

Now, we have to aggregate the individual port data into port cluster data. Relevant port data in the model are distance, demand, port cost, transhipment cost, (un)loading cost and port time. The distance, costs and port time only depend on the port at which the ship stops. Therefore, for these data the port cluster data is the same as the individual port data of the central port. The demand data depends also on the demand at the other ports in the cluster. Cluster demand equals the sum of the individual port demand. Note that demand between ports in the same cluster disappears during the aggregation process. This demand can be reviewed after the disaggregation process.

### 3.3 Disaggregation method

The cargo allocation model can be executed with the clusters as determined in the previous section as input. The output of the model becomes the cargo flow between the clusters. In practice, it is necessarily to know the exact route of each load from origin port to destination port. Therefore, the cargo flows from and to clusters have to be disaggregated in cargo flows from and to individual ports in the clusters. In first instance, for each port in the cluster (except the central port) a feeder service is added from the central port to this port. Later on, feeder services containing more ports and the profitability of an extra stop at the main route in stead of a feeder service are considered. The disaggregation process consists of the determination of the origin and destination port for each unit of cargo flow that is obtained from the model.

The cargo flow between each pair of clusters is obtained from the CAM model. Now, we can determine the ports belonging to these clusters. For each port pair with origin port in the origin cluster and destination port in the destination cluster, we can determine the revenue of transporting cargo between these ports. Furthermore, we know the demand between these two ports. Then, the disaggregation is done by repeatedly allocating as much cargo as possible to

the port pair with the highest revenue until the total cargo flow is allocated. Because the cluster demand equals the sum of the individual port demand of the ports in the cluster and all possible combinations are considered in the disaggregation method, the total transhipped cargo is always fully allocated using this method. Finally, this procedure is repeated for all combinations of two port clusters of the cargo allocation model.

When all combinations are considered and the cargo allocation between each two real ports is known, the size of the feeder services can be determined. In first instance, for each noncentral port in a cluster, a feeder service is made. This feeder ship will then sail from the central port of the cluster to the noncentral and back to the central port. The size of the ship can be found when considering the cargo transhipped from and to the noncentral port. These amounts will not be on the ship at the same time, so the maximum of the amount of cargo transhipped to and the amount transhipped from the noncentral port is the maximum load on the feeder ship. The needed size of the feeder ship is then the minimal size that can transport the maximum load. Note that only feeder services that sail with a frequency of once a week are considered. Exemptions are only made for ports that are placed in a cluster because their demand is too low, but cannot be served within one week with a direct feeder route from the central port of the cluster.

### 3.3.1 Reducing the size of a feeder service

When we start, all feeder services are direct services between the central port in a cluster and a noncentral port in the same cluster. In this case, only two cases have to be distinguished when reducing the size of a feeder service. The noncentral port can be the origin port of a cargo flow, in which case the cargo is on board when the ship sails from the noncentral port to the central port of the cluster or the noncentral port is the destination port of a cargo flow and the cargo is on board when the ship sails from the central port of the cluster to the noncentral port. In both cases, the cargo is only at one of the two legs on board, so only one leg has to be considered for each cargo flow. However, when ports are exchanged between feeder services, some feeder services are created that visit more than one noncentral port. In this case more legs have to be considered when a cargo flow is viewed. This makes the size reducing process more complicated.

The next algorithm describes the steps that have to be performed to determine the increase in profit when the size of a feeder service is reduced. Note that no real changes are made in the algorithm. So, when the algorithm starts over in step 1, the data is still the same as at the beginning. If a change is mentioned in the algorithm it is a temporarily change, which only holds during one iteration of the algorithm.

1. Consider a cluster and a feeder service in the cluster. Determine the capacity of the feeder service when it is reduced by one size.
2. Determine the reduction needed on each leg of the feeder service.
3. Repeat the following as long as the sum of the reduction needed over all legs is larger than 0 and not all port combinations are considered.

- (a) Exchange as much cargo as possible between the port combinations that are not yet considered and have the lowest revenue decrease.
- (b) Update the reduction needed on each leg.

4. Check whether the sum of the reduction needed is 0.

- (a) If the sum is 0, determine the increase in profit, when the exchanges are performed.
  - i. If the increase in profit is higher than the highest increase found earlier, save the new increase in profit and the reallocation of demand needed to decrease the feeder size.
- (b) Else, the reduction is not possible.

5. If all feeder services are considered, then stop. Else, return to step 1.

In step 2 the reduction needed on each leg of the feeder service has to be determined. To do this, first the flow on each leg of the algorithm has to be determined. Thereto, the legs over with the cargo is transported, have to be determined. For each leg, the flow on the leg equal the sum of all cargo flows that are transported over the leg. The reduction needed can now be found by subtracting the flow over the leg from the new feeder ship capacity. Note that the minimum value that the reduction needed can take on each leg is equal to 0.

Step 3a of the algorithm requires a list of port combinations  $((P_1, P_2), (P_3, P_4))$  between which cargo flows can be exchanged. An element on the list means that a cargo flow from port  $P_1$  to port  $P_2$  is changed into a cargo flow from port  $P_3$  to port  $P_4$ . This list has to be made before the algorithm is performed. Valid combinations are combinations in which ports  $P_1$  and  $P_3$  are part of the same cluster and ports  $P_2$  and  $P_4$  belong to the same cluster. One of these clusters have to be the considered cluster. However, two more restrictions are imposed on the combinations, because it will become too complicated when these restrictions are not required.

The first additional restriction is that the port that does not belong to the considered cluster is not allowed to change. This means that either  $P_1 = P_3$  or  $P_2 = P_4$  (when the considered cargo flow has the origin in the considered cluster, then  $P_2 = P_4$  holds, while  $P_1 = P_3$  holds when the considered cargo flow ends in the considered cluster). When this restriction is not imposed, the flows on the feeder services in the other cluster have also to be checked on capacity constraints, which would complicate the process more than necessarily.

The other additional restriction is that the new port in the considered cluster is not allowed to be visited on the same feeder service as the old feeder service. This restriction guarantees that the total reduction needed will not increase after a step. Because the goal is to reach a total reduction needed of 0, this is a very useful guarantee.

All combinations of ports  $P_1, P_2, P_3$  and  $P_4$  that satisfy the above restrictions are valid combinations and should be on the list. Note that the list is dependent on the considered cluster, so that for each cluster a different list exists. Next, the revenue decrease of exchanging one unit of cargo has to be calculated for each combination on the list.

In step 3a of the algorithm, the port combinations  $((P_1, P_2), (P_3, P_4))$  that have the lowest revenue decrease when a unit of cargo is exchanged from port combination  $(P_1, P_2)$  to port combination  $(P_3, P_4)$  of the list is selected. Then it is investigated how much cargo can be exchanged between these port combinations. The amount of cargo exchanged equals now the minimum of the amount that can maximally be allocated and the maximum reduction needed on the legs of the considered feeder service over which the cargo is currently be transported.

Step 3b updates the reduction needed of all legs on the feeder service over which the cargo is currently transported. For these legs, the amount of cargo exchanged is subtracted from the reduction needed. However, when the new reduction needed becomes negative, it is set equal to 0. Steps 3a and 3b are repeated until the reduction needed equals 0 at all legs of the considered feeder service or all combinations of the list are considered.

In step 4 it is checked whether the reduction of the feeder size is possible or not. If the reduction is possible, the increase in profit has to be calculated. This can be done by calculating the difference in capital, operating and fuel costs between the two sizes of feeder services and subtract the decrease in revenue, that is incurred by exchanging cargo flows, from it. When the increase in profit is higher than the highest increase found earlier, the viewed reduction is the most profitable reduction until now and the increase in profit and cargo exchanges needed are saved. Finally, the algorithm is repeated until all feeder services in all clusters are considered.

### 3.3.2 Exchanging a port between two feeder services

In this step a port is exchanged between two feeder services. The cargo allocation does not change during this step, so the revenue and feeder handling costs will also not change. Because the costs on the main route will also stay the same, the only changes will occur in the feeder capital, operating and fuel costs. Finding a profitable exchange corresponds now to finding an exchange for which these feeder costs are reduced.

We will explain the method used to exchange ports using an algorithm. Thereafter, the steps of the algorithm will again be explained in more details. Note again, that the changes made in the algorithm are only temporarily changes. In this case, each time the algorithm returns to step 4 or step 1, the data is the same as at the beginning. The real changes are only made in the third step of the method (the comparison).

1. Consider a cluster and two feeder services,  $F_1$  and  $F_2$  in the cluster.
2. Determine all noncentral ports that are served by the feeder service  $F_1$ .
3. Determine all consecutive port combinations on feeder service  $F_2$ .
4. Repeat the following steps as long as not all combinations of a noncentral port and a consecutive port combination are considered.
  - (a) Select a combination of a noncentral port  $N$  and a consecutive port combination  $(P_1, P_2)$ .

- (b) Remove port combination  $(P_1, P_2)$  from feeder service  $F_2$  and add the combinations  $(P_1, N)$  and  $(N, P_2)$  to  $F_2$ . Furthermore, remove port  $N$  from feeder service  $F_1$ .
- (c) Determine the new loads on and capacities of feeder services  $F_1$  and  $F_2$ .
- (d) Determine the increase in profit obtained by adding port  $N$  between ports  $P_1$  and  $P_2$  on feeder service  $F_2$ .
  - i. If the increase in profit is higher than the highest increase found earlier, save  $F_1, F_2, N, P_1, P_2$  and the new highest increase in profit.

5. If all combinations of two feeder services in the same cluster are considered, then stop.  
Else, return to step 1.

Most steps of the algorithm are self-explanatory, however some steps need detailed explanation. In step 4c the new loads and capacities of the feeder services are determined. First, the determination of the new load of feeder service  $F_1$  is considered. When port  $N$  was the only noncentral port visited by feeder service  $F_1$ , feeder service  $F_1$  will be removed and the new loads and capacity become 0. Otherwise, the cargo allocations from and to port  $N$  have to be removed from the loads of all consecutive port combinations, where this cargo was on the feeder ship in the initial situation. Then, the new size of the ship used for feeder service  $F_1$  can be determined by finding the smallest capacity that is equal to or larger than each load between consecutive ports of the service.

For feeder service  $F_2$  a similar procedure can be used. Add the cargo allocation from and to port  $N$  to the loads of feeder service  $F_2$ . Again, these allocation has to be added to all combination of consecutive ports where the cargo will be on the ship. When the new loads are known, the new size of the feeder ship can be determined in the same way as for  $F_1$ .

In step 4d the increase in profit of the change is calculated. First, compute the feeder capital, operating and fuel costs of both initial feeder services. The sum of all these costs equals the initial feeder costs. Thereafter, the new determined capacities can be used to calculate the new feeder costs of both services. Finally, the increase in profit of this exchange can be calculated by subtracting the sum of the feeder costs of the new feeder services  $F_1$  and  $F_2$  from the initial feeder costs.

Repeat the above procedure until all possible combinations of a noncentral port of feeder service  $F_1$  and a combination of consecutive ports of feeder service  $F_2$  are considered. Thereafter, select the next cluster until all clusters are considered (step 5). Each time, compare the increase in profit with the highest increase in profit that can be realized by one of the combinations that is considered earlier. When the new profit increase is higher, save the feeder services  $F_1$  and  $F_2$ , the noncentral port  $N$  and the combinations of consecutive ports  $(P_1, P_2)$  and the new highest increase in profit. This is all performed in step 4(d)i of the algorithm. Thus, when all feeder services in all clusters are considered, the most profitable exchange is found and saved.

### 3.3.3 Comparison

After the first two steps, both the most profitable reduction in the size of a feeder service and the most profitable exchange of a port between feeder services are known. Furthermore, the amount of increase in profit is known for both changes. Note, that the increase in profit can also be negative, which corresponds to a decrease in profit (loss), because it is not checked in the first two steps whether the increase in profit is positive or not. First check which increase in profit is the highest, that of the reduction in size or that of the port exchange. Next, check whether this highest increase in profit is bigger than 0. If the increase is higher than 0, make the changes that corresponds to the increase. So, if the highest increase in profit is caused by a reduction in the size of a feeder ship, reduce the saved feeder ship by one size and reallocate the necessarily demand to make this reduction possible. However, if the highest increase is caused by a port exchange, remove the saved port from the first saved feeder service and add this port between the saved combination on the second saved feeder service. Finally, if a profitable change is made, go back to the first step, else the feeder network cannot be improved further using this method, so stop.

### 3.3.4 Add ports to main route

Next, we investigate whether it is profitable to add some ports to the main route and thereby reducing the size of the feeder service network serving those ports. At the moment, only the central port of a cluster is visited on the main routes of the route network. All other ports are served by a feeder service. However, some noncentral ports exist, which also have a large amount of cargo handling movements. Now the flows are known, it can be calculated whether it is profitable to visit these noncentral ports on one of the main routes. A part of the cargo flows from and to these ports can then be transported over the main routes. This diminishes the flow on the feeder service networks, which can reduce the costs of the feeder network. Ports can be visited both on one or more main routes and on a feeder route.

The method is performed once before and once after the method to decrease the feeder network. When it is performed before reducing the feeder network, the exact feeder costs are not yet known. Therefore, in this case only the decrease in feeder (un)loading cost are seen as cost reduction, where also the capital, operating and fuel costs are considered when the feeder network is already decreased.

The next algorithm gives a brief description of the method used to investigate whether ports should be added to main routes or not. In this algorithm, changes are only made in step 6. So, changes in other steps of the algorithm are only temporarily. When the algorithm returns to a previous step, the changes are undone. After the description of the algorithm, some steps of the algorithm are explained in more detail.

1. Consider a main route and determine the clusters that are visited on that main route.
2. Consider one of those clusters.

3. Determine which (noncentral) ports that belong to the cluster are not yet visited on the considered main route.
4. Determine the consecutive port combinations on the main route for which at least one of the ports belongs to the cluster.
5. Repeat the following steps as long as not all combinations of noncentral ports and consecutive port combinations are considered.
  - (a) Select a combination of a noncentral port  $N$  and a port combination  $(P_1, P_2)$ .
  - (b) Remove port combination  $(P_1, P_2)$  from the main route and add the combinations  $(P_1, N)$  and  $(N, P_2)$  to the route.
  - (c) Determine the new loads on the main route and on the feeder service serving port  $N$  after reallocating as much cargo from and to port  $N$  as possible to the main route.
  - (d) Determine the increase in profit obtained by adding port  $N$  between ports  $P_1$  and  $P_2$  at the main route. If the increase in profit is higher than the highest increase in profit obtained earlier, save the new highest increase, the considered cluster and main route and ports  $N, P_1$  and  $P_2$ .
6. In this step a port is finally added to a route.
  - (a) Consider first all clusters and all routes and add thereafter the most profitable port to the main route.
    - i. Return to step 2 as long as not all clusters are considered.
    - ii. Return to step 1 as long as not all routes are considered.
    - iii. Add the most profitable port at the most profitable place to the main route if the increase in profit is bigger than 0.
    - iv. If a profitable change is made in step 6(a)iii, return to step 1, else stop.

The algorithm describes the main idea of the method used. First of all, note that each cluster can be visited twice on a route, so steps 2 and 3 have to be clarified. If a cluster is visited twice on a route, the visits are assumed to be to different clusters. So, a distinction is made between the cluster when it is visit on the eastbound part of the route and the cluster when it is visited on the westbound part of the route. So, each cluster that is visited on a route is unique for the route. Thus, when in step 3 is determined which ports of the cluster are not yet visited on the main route, only the part of the route where the considered cluster is visited is considered.

Thereafter, in step 4 all consecutive port combinations on the main route for which at least one of the ports belongs to the cluster are determined. Again, the cluster is unique on a route, so only the port combinations on the westbound part or on the eastbound part of the route (dependent on the location of the cluster) are considered.

In step 5c, the new loads on the main route and the feeder service visiting  $N$  have to be determined. The idea is that as much cargo from and to port  $N$  as possible is reallocated from

a feeder service to the main route. The amount of cargo that can be reallocated is first of all restricted by the total amount of cargo from/to port  $N$  that is present on the ship. Furthermore, it depends on the unused capacity of the ship on the additional legs. To determine how much cargo can be reallocated according to the unused capacity of the ship, first the position of the inserted port  $N$  with respect to the center of the cluster has to be determined.

Two situations can be distinguished: the central port of the cluster is already visited when port  $N$  is visited on the main route, or the central port of the cluster has still to be visited when port  $N$  is visited. Figure 1 shows the two possibilities. In the figures, only the central ports of the clusters and port  $N$  are considered, but all conclusions that will be drawn, will also hold when more ports are on the route.

Now, consider the left figure, where port  $N$  belongs to cluster  $C_1$  and is visited after the central port of the cluster. In the original route, the ship visits first the center of cluster  $C_1$  and directly thereafter the center of the cluster  $C_2$ . Thus, the cargo flows from and to port  $N$  are (un)loaded in the central port of cluster  $C_1$ . Now, call the flow between the two clusters  $F$ . The cargo flow with destination port  $N$  will be unloaded in the central port of  $C_1$ , so this flow is not included in flow  $F$ . On the other hand, the cargo flow with origin port  $N$  is included in flow  $F$ , because it is loaded in the central port of  $C_1$ .

When port  $N$  is added to the main route after the central port in the cluster, flows  $F_1$  and  $F_2$  have to be determined. The difference with the original situation is that the cargo flow from and to port  $N$  is now (un)loaded in port  $N$  instead of in the central port of the cluster. Thus, in flow  $F_1$  the cargo flow to port  $N$  is included while the flow from port  $N$  is not included. Combining this with the flows included in flow  $F$ , it can be seen that  $F_1 = F - N_{out} + N_{in}$ , where  $N_{in}$  is the amount of cargo flow unloaded in port  $N$  (flow with port  $N$  as destination) and  $N_{out}$  is the amount of cargo flow loaded in port  $N$  (flow with origin port  $N$ ). In flow  $F_2$  the cargo flow to port  $N$  is not included, where the flow from port  $N$  is included, so it holds that  $F_2 = F$ . Thus, the amount of cargo that can be loaded in port  $N$ , when looked at the free capacity is unbounded. However, the amount of cargo that can be unloaded in port  $N$  is bounded by  $N_{in} \leq Cap - F + N_{out}$ .



Port  $N$  is visited after the center of the cluster

Port  $N$  is visited before the center of the cluster

**Figure 1:** Example of the positioning of port  $N$  with respect to the central port of the cluster

The other situation is shown in the right figure. Now, port  $N$  belongs to cluster  $C_2$  and is visited before the central port of the cluster. Again, the flow on the initial route between cluster  $C_1$  and  $C_2$  is denoted by  $F$ . In this case, the flow to port  $N$  is included in flow  $F$ , while the flow from port  $N$  is not included, because it will be loaded in the central port of cluster  $C_2$ . Now,

consider flow  $F_1$  between the central port of cluster  $C_1$  and port  $N$ . In this flow, the cargo flow to port  $N$  is included and the cargo flow from port  $N$  is not included. Thus, in this case  $F_1 = F$ . The cargo flow to port  $N$  is now unloaded in port  $N$ , so this flow is not included in  $F_2$ . However, the flow from port  $N$  is already loaded in port  $N$ , so is included in  $F_2$ . Together with the flows included in  $F$ , it can be found that  $F_2 = F - N_{in} + N_{out}$ , where  $N_{in}$  and  $N_{out}$  have the same definitions as above. Now, the amount of flow unloaded in port  $N$  is unbounded and the amount of flow that is loaded is bounded by  $N_{out} \leq Cap = F + N_{in}$ .

Now, the amounts of flow (un)loaded in port  $N$  can be determined by taking the minimum of the amount present on the ship and the amount that can be (un)loaded according to the capacity. Thereafter, the new flows can be determined using the formulas for  $F_1$  and  $F_2$  given above. Furthermore,  $N_{in}$  and  $N_{out}$  can be used to update the flows on the feeder service visiting port  $N$  by subtracting the flows from the legs over which it should be transported. When no flows are loaded and unloaded anymore in port  $N$  on the feeder service, the port can be deleted from the feeder service.

In step 5d, the increase in profit is calculated. The increase in profit can be found by subtracting the increase in costs associated with the reallocation from the cost reduction. To determine the cost reduction, first check whether the feeder network is already reduced or not. When the method to reduce the feeder network is not yet performed, the cost reduction consists of the decrease in feeder handling costs obtained by reallocating flow from the feeder service to the liner services. When the feeder network is already reduced, the cost reduction can be found in the following way.

First, the new capacity of the feeder service has to be determined. The new capacity is defined as the smallest possible capacity that is higher than the load for each leg of the feeder service. The cost reduction is equal to the sum of the reduction in transhipment costs of loading flow from the main route to the feeder service, the reduction in (un)loading cost of the feeder service, the decrease in fixed cost (capital, operating and fuel) of the feeder service and the port cost saved on the feeder service (only when port  $N$  can be removed from the feeder service).

The additional costs incurred consist of the additional fuel costs incurred by sailing a larger distance, the additional (un)loading costs on the main route and the additional port cost incurred. When the increase in profit is determined, it is compared with the highest increase found earlier. If the new increase is higher, it is saved together with the main route, cluster, ports  $N, P_1, P_2$  and the cargo flow loaded and unloaded in port  $N$  ( $N_{in}$  and  $N_{out}$ ).

In step 6 the real changes are made. First, we determine for all clusters on all routes the increase in profit for all possible combinations before making a change. So, the best possible possibility is found and changed. This procedure is repeated until no profitable change can be made anymore.

## 4 Designing an initial liner shipping network

To design an initial liner shipping network, we assume that ports are visited in their geographical order. Thereafter, we generate initial routes and determine the optimal speed on each route.

## 4.1 Generate initial routes

Initial routes are generated at random. First, we determine randomly the number of routes in the network between a minimum and maximum. Thereafter, for each route in the network, a cluster is called with a certain probability. Thus, we determine in geographical order at random whether a cluster will be visited. The routes obtained using this method are not always feasible routes. The routes have to satisfy three conditions to be feasible.

The first condition is that the beginning cluster of each route should be equal to the end cluster, so that a round tour is made. Therefore, it is checked whether this is satisfied. When this is not satisfied, the beginning or end cluster is adjusted, so that this condition is met. The second condition is that the two middle clusters of the routes should be unequal, because otherwise the same cluster is visited twice in a row. This condition is also checked for each route and when it is violated, one of the middle clusters is removed. The last condition is that the route length is at least equal to the minimum route length. If this condition is violated for a certain route, this route is deleted.

Finally, a ship type is allocated to the ship route. Thereto, we select randomly a ship type at the set of available ship types. Note that this set has to be updated when the last available ship of a certain type is allocated to a route. In this case, the ship type is removed from the set of available ship types.

Using the above procedure a network is obtained with a random number of feasible routes. This network can be used to run the cargo allocation model and obtain the different flows. Later on, the networks will be changed using a genetic algorithm based method, so that better networks are constructed.

## 4.2 Determine optimal speed

When the routes and capacities of the liner ships are known, it is possible to determine the optimal speed of the liner ship serving a certain route. In this section, the method to determine this optimal speed will be explained.

Consider a route of the route network and the capacity of the liner ship used to serve this route. Now determine the route durations in weeks when the ship sails at minimum and maximum speed. Determine the costs of sailing at minimum speed by adding the fuel costs to the capital and operating cost. If the time needed to perform one round tour at minimum speed exceeds the maximum route duration, the optimal speed when sailing the route in the maximum duration and the corresponding costs at this speed are calculated instead. Save the total costs and the speed. Thereafter, reduce the number of weeks with one as long as it is larger than the number of weeks needed to sail the route at maximum speed. Determine the optimal speed when sailing the route in the new number of weeks. Using this speed, calculate the new capital, operating and fuel costs. If the total costs are lower than the saved costs, replace the saved costs by the new total costs and the saved speed by the new speed.

The saved costs and speed at the end of the procedure are the minimum costs and the speed for which these costs are obtained. So, the saved speed is the optimal speed for the route. Repeat

the above procedure until all routes of the route network are considered.

## 5 Design a new route network

The following operators are used to change the route network: elitism, selection, crossover and mutation.

### 5.1 Elitism

The first step in the genetic algorithm based method is the elitism step. In the elitism step the best route network(s) of the current iteration are selected. These network(s) are unchanged placed in the network set of the next iteration. Elitism ensures that the performance of the best network in the next iteration cannot be decreased in comparison to the best network in the current iteration. The number of networks that are selected is one of the input parameters of the method.

### 5.2 Selection

In the genetic algorithm based method, networks are selected based on their performance. The selection step can be done in several ways. We use the roulette wheel selection method to select the networks. The selection probability of a network is defined as the relative profit with respect to the total profit in all networks in the set. If some of the networks have negative profits, all profits will be increased to obtain only positive profits. The selected network will be used in the crossover or mutation step.

### 5.3 Crossover

When two networks are selected, the crossover operator can be used to recombine these two networks into two new networks. We consider two different crossover methods: uniform and route crossover. Next, these crossover methods will be explained.

In the uniform crossover methods, two completely new route networks are created. First, two existing networks are selected. Each network consists of  $R(2C - 1)$  0/1 elements, where  $N$  is the number of routes in a network and  $C$  the number of port clusters found after the aggregation phase. So,  $2C - 1$  are the possible stops of a ship on a route. When the element corresponding to port cluster  $c \leq 2C - 1$  and route  $r \leq R$  has value 1, port cluster  $c$  is called on route  $r$ .

The idea of the uniform crossover method is that for each  $(r, c), r \leq R, c \leq 2C - 1$  the value of the selected combination is with equal probability exchanged between the two selected networks or not exchanged. Similar, the capacities of the routes are with equal probability exchanged or not. Finally, the routes are made feasible using the method earlier described and it is checked whether the ship types allocated to the routes in the networks still satisfy the available fleet constraint.

The other crossover method that can be used is the route crossover. This method does not change existing routes, they are only exchanged between route networks. The advantage of this method is that cargo allocations on a route are still feasible in the new route network.

In the route crossover method, routes are thus exchanged between networks. We randomly select a cut point, after which the routes including capacities of the two selected networks are exchanged. All routes that occur in the new route networks that are created using the route crossover method are always feasible, because they are unchanged according to the routes in the current iteration. Therefore, the routes do not have to be checked on feasibility. However, the fleet composition of the networks can violate the available fleet constraint. Thus, we check whether this happens and exchange route with allocated ships where necessarily.

#### 5.4 Mutation

Finally, the mutation method changes the value of some elements. When a route network is selected, some elements corresponding to a route and a port cluster are selected at random. The selected ports are added to the route, when they are not visited on the current route. On the other hand, when the ports are visited on the current route, they are deleted from the route. Furthermore, the feasibility of the route has to be checked, because the mutation operator can make routes infeasible.

Finally, the capacity of a certain route will be changed with a certain probability. The new capacity will then be randomly chosen from the existing, still available, capacities. When the capacity of the routes can also be changed, more feasible route networks will be considered. However, changing the capacity on a route can influence the allocation on the other routes in the same route network. This effect will also occur when the routes are changed, but the effect will probably be bigger when changing the capacity. Therefore, the probability of a mutation in the capacity is chosen to be small.

### 6 Case study

We apply the proposed algorithm to design a service network that consists of 58 ports on the Asia-Europe trade lane. Most data is based on the service network of Maersk on the Asia-Europe trade lane during spring 2010. Demand is estimated using port throughput data and data obtained from the annual reports of Maersk. Costs for different types of ships and sailing speeds are estimated using data obtained from Lachner and Boskamp (2011), Francesetti and Foschi (2002) and Notteboom (2006). The data can be found in Appendix A.

#### 6.1 Reference network

We define a reference network to which the best obtained networks (i.e. the networks with highest profits) can be compared. This will give some information on the performance of the obtained networks. The routes of the reference network can be found in Appendix B

The original Maersk route network, on which the data is based is used as reference network. The network consist of nine routes. On each route a few ships with different capacities are sailing to serve the demand. In our study, a route is served by ships of the same size and each ship size is a multiple of 1000 TEU. Therefore, we round the average capacities of the ships used on a route of the Maersk service network to the nearest multiple of 1000 TEU that is larger than the average to obtain the capacities of the reference network. The profit of the reference network is 1.876 billion USD.

## 6.2 Characteristics of the best networks

Table 1 shows the overall characteristics of the reference network and the best network obtained using the described method. The best network results in a profit of 2.058 billion USD, which is an increase of 20.6% compared to the reference network. The increase in profit is the result of a cost reduction. The total demand delivered and the revenue in the best network are a little lower than in the reference network, but the routes are more cost efficient. Note that we only consider ship-related costs and revenues in this model. In reality, liner shipping companies will also face other types of costs. However, it is difficult to estimate these non-ship-related costs, so we leave them out of consideration here. Furthermore, we only use estimates on demand, revenue and costs in this research. Since these data are highly sensitive to fluctuations, the increase in profit can change over time.

|                               | Reference<br>network | Best<br>network |
|-------------------------------|----------------------|-----------------|
| Profit in billion USD         | 1.707                | 2.058           |
| Revenue in billion USD        | 7.015                | 6.920           |
| Cost in billion USD           | 5.307                | 4.862           |
| Fraction demand delivered     | 0.832                | 0.822           |
| Computational time in seconds | 215.7                | 103.9           |

**Table 1:** Comparison of the best network with the reference network

Table 2 shows some characteristics of the best network and the reference network. Note that the total distance traveled in the best network is a bit higher than in the reference network. This can be explained in the following way. The main routes are constructed for only ten port clusters, which means that many ports are included in the feeder network. This will result in a higher distance traveled on the feeder routes. Then, ports that are included in the feeder network can also be added to the main routes. This increases the distance traveled on the main routes. However, the distance on the feeder network will only be reduced when a port can be deleted from the feeder network. A port can only be deleted from the feeder network if both the demand from and the demand to that port can be entirely served on the main route. In general, ports can not be deleted from the feeder service, so the distance traveled on both the main and feeder services will be higher when less port clusters are included. However, by using feeder services, ports can be visited more efficiently, which results in less distance that has to be covered, so the

|   | Reference<br>network | Best network |        |
|---|----------------------|--------------|--------|
|   |                      | Main         | Feeder |
| Capital and operating cost in billion USD | 1.150                | 1.016        | 0.073  |
| Fuel cost in billion USD                  | 1.453                | 1.282        | 0.079  |
| Port cost in billion USD                  | 0.189                | 0.161        | 0.011  |
| Handling cost in billion USD              | 1.972                | 1.949        | 0.027  |
| Transhipment cost in billion USD          | 0.544                | 0.016        | 0      |
| Total cost in billion USD                 | 5.307                | 4.424        | 0.044  |
| Fleet size                                | 91                   | 79           | 16     |
| Number of routes                          | 9                    | 8            | 16     |
| Average number of port per route          | 16.4                 | 15.5         | 3.625  |
| Distance traveled in nm                   | 191,754              | 167,876      | 28,692 |

**Table 2:** Characteristics of the networks

difference in distance between the two networks is only small.

It follows from Table 2 that the largest cost reduction is obtained in the transhipment cost compared to the reference network. By clustering ports, less ports are included in the main route network and thus less transhipment movements are needed. The capital, operating, fuel and port costs are all reduced a little compared to the reference network.

Compared to the reference network, the number of ships decreases, because the use of a feeder network leads to a more efficient use of ships. In the best network, only eight routes are included compared with nine in the reference network. Since, the number of ships needed for a route equals the round tour time, this will already lead to a significant reduction in the fleet size. The feeder services are all designed in such a way that they will have a round tour time of one week, so only one ship per feeder service is needed.

The computational times are given in seconds for the reference network and in seconds per iteration for the best networks with ten, twelve and fifteen clusters. In one iteration, the profit of all twenty route networks in the set is determined and a new set is made.

### 6.3 Best network

The routes of both the main and the feeder network of the best obtained route network can be found in Appendix D. The reference network only consists of a main route network, so all ports are at least once visited on a main route. However, not all ports are visited on a main route in the best network. First, the ports in Japan are not visited anymore on the main route. In China are many ports that are visited on a main route, but ships have to cross the ocean to visit ports in Japan. Because China is the turning point of the route, the crossing distance should be covered twice when ports in Japan are included in the main routes. Therefore, it is quite logical that the ports in Japan are only visited on the feeder services.

Furthermore, the ports in Northern Europe are not included in the main route network. A same reasoning as for the Japanese ports holds in this case. Ships turn in Rotterdam, Antwerp or Hamburg and adding one of the Northern European ports will result in additional distance

that has to be covered twice.

Many ports in Southern Europe are located in a cove, so that many additional distance have to be covered to visit these ports on the main routes. Again, it is then logical that these ports are not visited on the main routes, but are fully served by the feeder network, since smaller and cheaper ships are used on the feeder routes.

Finally, some ports, for example Fuzhou and Taipei, are not visited on the main route because they are relatively small. The additional distance that has to be covered to visit these ports is not very large (they are located near Xiamen en Kaohsiung, which are visited on some main routes). However, since they are small ports, the additional costs incurred by adding them to a main route, will probably not be covered by the decrease in feeder costs.

Ports are mainly visited in geographical order on the routes in the best network found. However, sometimes small deviations from the geographical order are observed. These deviations are caused by the way ports are added to the main routes. In general, the causes of the deviations can be divided in two categories.

We explain both categories using an example. The first category contains deviations that are forced by the cluster design. For example, in the best network one of the routes visits on the westbound trip first Antwerp and thereafter respectively Zeebrugge, Rotterdam, Le Havre and Felixstowe. When these ports are visited according to geographical order, one would expect that the order would be: Le Havre-Felixstowe-Zeebrugge-Antwerp-Rotterdam. However, this order cannot be obtained in the model, because Le Havre, Felixstowe and Zeebrugge are part of a cluster with central port Rotterdam and Antwerp has its own cluster. When routes are added to the main ports, they can only be added directly before or after a port that belongs to the same cluster. To obtain the geographical order, Le Havre, Felixstowe and Zeebrugge have to be placed before Antwerp, which does not belong to the same cluster.

The second category consists of deviations that are caused by the cargo flows. For example, on one of the routes first Ningbo is visited and thereafter respectively Qingdao, Liangyungang and Shanghai. All these ports belong to the cluster with central port Shanghai. The geographical order would be Qingdao-Liangyungang-Shanghai-Ningbo. Thus, the location of Ningbo in the obtained route deviates from the geographical order. This can be explained in the following way. The method that adds ports to the main routes determines the best location to place a port on the existing route. The best location is defined as the location where the highest increase in profit can be obtained. The additional distance that has to be sailed is part of the decision, because additional costs are incurred when more distance has to be covered. However, the optimal place to add a port to the main route depends also on the reduction of the costs that can be obtained. A cost reduction can be obtained by reallocating cargo to the main routes, such that transhipment costs to the feeder services are saved. We have seen that the amount of cargo that can be loaded in the added port on the main route is bounded when a port is placed before the central port of the cluster, while the amount of cargo unloaded from the main route is bounded when the port is visited after the central port of the cluster. Thus, although the optimal geographical location of Ningbo would be after Shanghai, it can be more profitable to visit Ningbo before Shanghai when much cargo with destination Ningbo is on the ship.

## 7 Conclusion

In this study methods to solve the combined fleet-design, ship-scheduling and cargo-routing problem are developed. Thereto, first a linear programming formulation (CAM model) is introduced that can be used to solve the cargo-routing problem to optimality.

However, the computational time of the CAM model is too high to solve repeatedly when all ports are included in the model. Therefore, an aggregation method is proposed that can be used to divide the ports in some clusters. The number of clusters is chosen based on the computational time of the model. In our study, ten clusters are appropriate to work with. The design of the clusters is based on the geographical location of the ports.

After the results are obtained in clustered ports, they have to be disaggregated again in individual port results. Some methods are developed and explained in this study. In these methods, a distinction is made between main services and feeder services. The feeder services are used to transport the cargo from the cluster centers to the other ports in the cluster. In first instance, only cluster centers can be part of the main service network. However, other ports are added to the main routes when this is profitable. Furthermore, we try to decrease the ship capacities on the feeder services in the proposed methods.

The above methods can be used to determine the profit of a certain route network. A genetic algorithm based procedure is used to change existing networks into new networks, which can again be solved using above methods. In the genetic algorithm based procedure selection, crossover and mutation methods are used. The initial networks are generated at random and made feasible.

The best network found using the overall model gives an improvement of about 20% compared to the reference network. The increase in profit is the result of a cost reduction obtained when integrating liner shipping network design. However, since we only consider ship-related costs and revenues and the data is highly sensitive to fluctuations, the profits of the liner shipping company for both the reference network and the best network will be lower in reality. The percentage of improvement will then also be lower.

The reference network only consists of a main service network. Therefore, all ports are visited on at least one of the main routes. However, in the best obtained network not all ports are visited on a main route anymore. There are basically three possible reasons for this. When the last ports before a turning port are noncentral ports in a network, the distance from the central port to these ports has to be covered twice when these ports are added to a main route. Thus, these ports can probably be better visited on a (cheaper) feeder route. Furthermore, some ports are located in a cove. The additional distance that has to be traveled to visit these ports can therefore become large. In this case, it is probably be more profitable to serve these ports on feeder routes instead of a main route. Finally, some ports have very little demand. For these ports, the additional costs of visiting these ports on a main route are higher than the maximum reduction in costs that can be obtained. Therefore, these ports can also better be visited on a feeder route.

The order in which the ports are visited on the main routes in the best obtained network

correspond most of times to the geographical order. Some deviations can be found, because ports are afterwards added to the main routes. Two main reasons can be given that explain the existence of the deviations. First, in some cases, the geographical order cannot be obtained, because of the cluster design. Furthermore, the amount of cargo that can maximally be (un)loaded in a port that is added to a main route depends on whether the port is added before or after the central port of the cluster. Therefore, it can be more profitable to add a port after the central port of the cluster, even when the geographical order implies that the port should be added before the central port and vice versa.

Only intra-regional demand is considered in this study, but it is possible to add also regional demand in the model. The idea behind the methods will stay the same when regional demand is included. The regional demand will not be considered in the methods discussed in the improvement steps. Because the revenue of the regional demand will be relatively low compared to intra-regional demand (because the distance between origin and destination is much smaller), this will hardly influence the performance of the methods.

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## A Data

### Ports

The ports considered in this study are obtained by merging all routes in the Asia-Europe trade lane of Maersk during spring 2010. Port Los Angeles is removed from the list, because it is not on the Asia-Europe trade lane. The 58 remaining ports, countries and regions can be found in natural order in table 3.

### Distance

The distances between ports can be computed using distance calculators on the internet. The distances between the port combinations can be found in table 4.

### Demand

In the allocation model it is important to know the demand between two ports. However, it is hard to achieve realistic data on the demand. The demand data is obtained from Lachner & Boskamp (2011). First, they determine total demand to be allocated on the Asia-Europe trade lane. This is done using annual reports of Maersk. Furthermore, a growth percentage is included in the calculation and corrections are made for joint services. Thereafter, the total demand is divided over port combinations using port throughput. The port throughput of both the origin as the destination port is used to determine the demand of a port combination. The demand that is generated in this way can be found in table 6.

### Revenue

The revenue data is also obtained from Lachner & Boskamp (2011). It is assumed that the revenue per unit only depends on the distance between the origin and destination port of the demand and on the direction in which the demand has to be transported. Thereto, two revenue factors are introduced. The first factor gives the revenue of transporting one unit of cargo over one nautical mile in the westbound direction. The other revenue factor gives the revenue of transporting one unit of cargo over one nautical mile in the eastbound direction. Then, for each port combination, it is checked whether cargo has to be transported in westbound or eastbound direction. Finally, the corresponding revenue factor is multiplied with the direct distance between origin and destination port, which gives the revenue per unit of the considered port combination.

Lachner & Boskamp obtained the revenue by taking the 10-year average of historical data. This calculation gives the revenue in USD/TEU for both the eastbound and the westbound direction. Thereafter, they divided these revenues by the average distance between Asian and European ports. This results in the two revenue factors. The revenue factor is 0.0838 USD/nm in eastbound direction and 0.1677 USD/nm in westbound direction.

## Available ships

In Francesetti & Foschi (2002) an overview of costs related to ships with different sizes is given. The ship sizes given in this article are also used in this study. Furthermore, some additional ship sizes are added in this study. The costs of these added ships are obtained by extrapolation on the costs given in Francesetti & Foschi (2002). The available ship sizes for both the main and feeder services can be found in tables 8 and 9. In this study, it is assumed that an unlimited number of feeder ships is available.

## Speed

From Notteboom (2006) it is learned that the speed of container vessels varies between 18 and 26 nautical miles per hour. Therefore, this range of speeds is also considered in this study. Furthermore, it is assumed that the speed can each time be increased by 0.5 nm per hour. Thus, seventeen different values for liner shipping vessels are considered in this study.

Further, it is assumed that feeder ships sail at a constant speed. This speed is assumed to be 22 nautical miles per hour.

## Capital and operating cost

In Francesetti & Foschi (2002), the yearly capital costs are given by 10% of the purchase price of the ship. The factor of 10% is the amortization factor. The purchase prices are given for ships with different ship sizes. The purchase price of the ships considered in this study, that are not given in Francesetti & Foschi (2002) are determined by extrapolation.

The operating costs are defined as 5% of the purchase price of the ship plus 1.5 times the number of crew members times the average yearly wage of the crew. The crew size is multiplied by 1.5 to take illness and holidays into account. The factor 5% of the purchase price of the ship is used to take cost of maintenance, repairs, etcetera into account. On average, 18 crew members with an average yearly wage of about \$50,000 are present on a ship. The average yearly wage is obtained by correcting the yearly wage of Francesetti & Foschi (2002) for inflation.

An overview on the yearly capital and operating costs per ship size can be found in tables 8 and 9.

## Fuel cost

The fuel consumption in ton per day is given for the different ship sizes in Francesetti & Foschi (2002) for a speed of 25 nm per hour. When this amount is divided by the distance travelled per day, the fuel consumption in ton per nautical mile is obtained. Thereafter, the fuel consumption is multiplied by the oil price in USD/ton to obtain the fuel cost in USD per nautical mile for the different ship sizes. In this study an oil price of 500 USD per ton is used in the calculations.

In Notteboom (2006) a figure is given that shows the fuel consumption in ton per day for different values of the sailing speed for a ship with capacity of almost 8500 TEU. The relation between fuel consumption and sailing speed will be about the same for different ship sizes.

Therefore, this figure can be used to determine factors that indicate how much oil is consumed at different sailing speeds. Finally, these factors can be used to determine the fuel cost in USD per nautical mile for the other sailing speeds of the considered ships.

In table 10 an overview of the fuel cost for the different liner ship sizes and sailing speeds is given. The fuel costs for feeder ships are obtained in a similar way and are given in table 9.

## Port, (un)loading and transhipment cost

The port, (un)loading and transhipment cost are obtained from Lachner & Boskamp (2011). Port costs are incurred per port visit and usually vary between ports. Furthermore, the port costs may depend on the ship size. However, the differences in port costs are relatively small, so they are assumed to be constant per route type. In this study, ships are charged 25,000 USD per port visit on a main route and 15,000 USD per port visit on a feeder route. Thus, when a port is visited on a main route  $52 \cdot 25,000 = 1,300,000$  USD is charged, because each route is performed once a week. For feeder routes, the port cost per year equals  $52 \cdot 15,000 = 780,000$  USD.

(Un)loading and transhipment costs are incurred per TEU (un)loaded or transhipped in a port. These costs can differ between ports and for different ship sizes. However, it is again assumed that these costs are constant per route type. The cost of (un)loading is 175 USD per TEU on main routes and 125 on feeder routes. A transhipment consists of a unloading and a loading movement, so the cost of a transhipment is  $2 \cdot 175 = 350$  USD on main routes. Because each port (except the cluster centers) are only visited on one feeder route and no demand exists between ports in the same cluster, no transhipments will take place on feeder routes.

## Port and buffer time

The time a ship spends in a port depends on many factors like the number of containers that have to be (un)loaded, the number of cranes available to (un)load, the arrival time, etcetera. However, these factors are uncertain, so it is difficult to determine these times. Therefore, they are assumed to be constant. The data on these times are obtained from Lachner & Boskamp (2011). In this study, it is assumed that a ship spends 20 hours in a port on a main route and 15 hours in a port on a feeder route.

The buffer time is an additional time that is added to the route time to cover delays. The causes of delays can be divided in four groups: terminal operations, port access, maritime passages and chance (Notteboom (2006)). Chance includes weather conditions and mechanical problems. In this study, a buffer time of at least 2 days has to be allocated to each main route. The buffer time on feeder routes is assumed to be 1 day.

| Port name            | Country      | Region      | Port name   | Country        | Region      |
|----------------------|--------------|-------------|-------------|----------------|-------------|
| Yokohama             | Japan        | Asia        | Port Said   | Egypt          | Middle East |
| Shimizu              | Japan        | Asia        | Damietta    | Egypt          | Middle East |
| Nagoya               | Japan        | Asia        | Izmit       | Turkey         | Europe      |
| Kobe                 | Japan        | Asia        | Istanbul    | Turkey         | Europe      |
| Busan                | South Korea  | Asia        | Ambarli     | Ukraine        | Europe      |
| Kwangyang            | South Korea  | Asia        | Odessa      | Ukraine        | Europe      |
| Dalian               | China        | Asia        | Ilyichevsk  | Ukraine        | Europe      |
| Xingang              | China        | Asia        | Constantza  | Romania        | Europe      |
| Qingdao              | China        | Asia        | Piraeus     | Greece         | Europe      |
| Liangyungang         | China        | Asia        | Rijeka      | Croatia        | Europe      |
| Shanghai             | China        | Asia        | Koper       | Slovenia       | Europe      |
| Ningbo               | China        | Asia        | Trieste     | Italy          | Europe      |
| Fuzhou               | China        | Asia        | Gioia Tauro | Italy          | Europe      |
| Taipei               | Taiwan       | Asia        | Genoa       | Italy          | Europe      |
| Xiamen               | China        | Asia        | Fos         | France         | Europe      |
| Kaohsiung            | Taiwan       | Asia        | Barcelona   | Spain          | Europe      |
| Shenzhen Yantian     | China        | Asia        | Valencia    | Spain          | Europe      |
| Hong Kong            | China        | Asia        | Malaga      | Spain          | Europe      |
| Shenzhen Chiwan      | China        | Asia        | Algeciras   | Spain          | Europe      |
| Shenzhen Da Chan Bay | China        | Asia        | Tangiers    | Marocco        | Europe      |
| Vung Tau             | Vietnam      | Asia        | Le Havre    | France         | Europe      |
| Laem Chabang         | Thailand     | Asia        | Felixstowe  | United Kingdom | Europe      |
| Singapore            | Singapore    | Asia        | Zeebrugge   | Belgium        | Europe      |
| Tanjung Pelepas      | Malaysia     | Asia        | Antwerp     | Belgium        | Europe      |
| Port Klang           | Malaysia     | Asia        | Rotterdam   | Netherlands    | Europe      |
| Colombo              | Sri Lanka    | Asia        | Bremerhaven | Germany        | Europe      |
| Jebel Ali            | Dubai        | Middle East | Hamburg     | Germany        | Europe      |
| Salalah              | Oman         | Middle East | Gothenburg  | Sweden         | Europe      |
| Jeddah               | Saudi Arabia | Middle East | Aarhus      | Denmark        | Europe      |
|                      |              |             | Gdansk      | Poland         | Europe      |

**Table 3:** List of ports

**Table 4:** Distances between ports

Table 5: Distances between ports (2)

| Origin               | Destination      |         |          |           |           |       |         |       |              |        |
|----------------------|------------------|---------|----------|-----------|-----------|-------|---------|-------|--------------|--------|
| Yokohama             | Shanghai         | Qingdao | Shenzhen | Guangzhou | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Shimizu              | Liaoyanggang     | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Nagoya               | Shanghai         | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Kobe                 | Ningbo           | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Busan                | Fuzhou           | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Kwangyang            | Taipei           | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Dalian               | Xiamen           | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Xingang              | Kaohsiung        | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Qingdao              | Shenzhen         | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Liangyungang         | Hong Kong        | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Shanghai             | Shenzhen         | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Ningbo               | Ningbo           | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Fuzhou               | Fuzhou           | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Taipei               | Taipei           | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Xiamen               | Xiamen           | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Kaohsiung            | Kaohsiung        | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Shenzhen Yantian     | Shenzhen         | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Hong Kong            | Hong Kong        | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Shenzhen Chiwan      | Shenzhen         | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Shenzhen Da Chan Bay | Shenzhen         | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Vung Tau             | Vung Tau         | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Laem Chabang         | Laem Chabang     | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Singapore            | Singapore        | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Taitung Pelepas      | Taitung Pelepas  | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Port Klang           | Port Klang       | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Colombo              | Colombo          | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Jebel Ali            | Jebel Ali        | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Safalah              | Safalah          | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Jeddah               | Jeddah           | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Port Said            | Port Said        | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Damietta             | Damietta         | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Iznit                | Iznit            | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Istanbul Ambarli     | Istanbul Ambarli | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Odessa               | Odessa           | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Ilichevsk            | Ilichevsk        | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Constantza           | Constantza       | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Piraeus              | Piraeus          | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Rijeka               | Rijeka           | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Koper                | Koper            | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Trieste              | Trieste          | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Gioia Tauro          | Gioia Tauro      | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Genoa                | Genoa            | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Fos                  | Fos              | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Barcelona            | Barcelona        | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Valencia             | Valencia         | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Malaga               | Malaga           | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Algeciras            | Algeciras        | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Tangiers             | Tangiers         | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Le Havre             | Le Havre         | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Felisliowe           | Felisliowe       | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Zeebrugge            | Zeebrugge        | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Antwerp              | Antwerp          | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Rotterdam            | Rotterdam        | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Bremenhaven          | Bremenhaven      | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Hamburg              | Hamburg          | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Gothenburg           | Gothenburg       | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Aarhus               | Aarhus           | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |
| Gdansk               | Gdansk           | Qingdao | Yantian  | Shenzhen  | Chongqing | Wuhan | Chengdu | Xi'an | Shijiazhuang | Urumqi |

Table 6: Demand between ports

Table 7: Demand between ports (2)

| Ship Name | Ship Capacity (TEU) | Total Capacity (TEU/year) | Capital Cost (\$/year) | Operating Cost (\$/year) | Nr available |
|-----------|---------------------|---------------------------|------------------------|--------------------------|--------------|
| M1        | 4000                | 208000                    | 4500000                | 3600000                  | 5            |
| M2        | 5000                | 260000                    | 5400000                | 4050000                  | 5            |
| M3        | 6000                | 312000                    | 6000000                | 4350000                  | 5            |
| M4        | 7000                | 364000                    | 6500000                | 4600000                  | 5            |
| M5        | 8000                | 416000                    | 7000000                | 4850000                  | 5            |
| M6        | 9000                | 468000                    | 7500000                | 5100000                  | 5            |
| M7        | 10000               | 520000                    | 8000000                | 5350000                  | 2            |
| M8        | 14000               | 728000                    | 10000000               | 7850000                  | 1            |

**Table 8:** Liner ship characteristics

| Ship Name | Ship Capacity (TEU) | Total Capacity (TEU/year) | Capital Cost (\$/year) | Operating Cost (\$/year) | Fuel cost (\$/nm) |
|-----------|---------------------|---------------------------|------------------------|--------------------------|-------------------|
| F1        | 200                 | 10400                     | 800000                 | 1450000                  | 16.667            |
| F2        | 350                 | 18200                     | 950000                 | 1525000                  | 20.833            |
| F3        | 500                 | 26000                     | 1100000                | 1600000                  | 25.000            |
| F4        | 700                 | 36400                     | 1400000                | 1750000                  | 26.667            |
| F5        | 800                 | 41600                     | 1500000                | 1800000                  | 29.167            |
| F6        | 900                 | 46800                     | 1600000                | 1850000                  | 31.667            |
| F7        | 1000                | 52000                     | 1750000                | 1925000                  | 33.333            |
| F8        | 1250                | 65000                     | 2100000                | 2100000                  | 41.667            |
| F9        | 1500                | 78000                     | 2300000                | 2200000                  | 50.000            |
| F10       | 1750                | 91000                     | 2500000                | 2300000                  | 58.333            |
| F11       | 2000                | 104000                    | 2700000                | 2400000                  | 66.667            |
| F12       | 2250                | 117000                    | 2950000                | 2525000                  | 75.000            |
| F13       | 2500                | 130000                    | 3200000                | 2650000                  | 83.333            |
| F14       | 4000                | 208000                    | 4500000                | 3600000                  | 91.626            |
| F15       | 5000                | 260000                    | 5400000                | 4050000                  | 104.264           |

**Table 9:** Feeder ship characteristics

| Ship Name | 18      | 18.5    | 19      | 19.5    | 20      | 20.5    | 21      | 21.5    | 22      | 22.5    | 23      | 23.5    | 24      | 24.5    | 25      | 25.5    | 26      |
|-----------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| M1        | 85.637  | 84.925  | 84.250  | 83.610  | 83.002  | 83.870  | 84.696  | 88.242  | 91.626  | 94.860  | 101.820 | 108.483 | 114.869 | 120.995 | 126.875 | 132.525 | 137.957 |
| M2        | 97.449  | 96.639  | 95.871  | 95.143  | 94.451  | 95.438  | 96.379  | 100.413 | 104.264 | 107.944 | 115.864 | 123.447 | 130.713 | 137.684 | 144.375 | 150.804 | 156.986 |
| M3        | 109.261 | 108.353 | 107.492 | 106.675 | 105.900 | 107.006 | 108.061 | 112.584 | 116.902 | 121.028 | 129.908 | 138.410 | 146.557 | 154.372 | 161.875 | 169.083 | 176.014 |
| M4        | 121.073 | 120.067 | 119.113 | 118.208 | 117.348 | 118.575 | 119.743 | 124.755 | 129.540 | 134.112 | 143.952 | 153.373 | 162.401 | 171.061 | 179.375 | 187.363 | 195.043 |
| M5        | 132.886 | 131.780 | 130.734 | 129.740 | 128.797 | 130.143 | 131.425 | 136.927 | 142.178 | 147.196 | 157.996 | 168.336 | 178.245 | 187.750 | 196.875 | 205.642 | 214.071 |
| M6        | 171.275 | 169.850 | 168.501 | 167.221 | 166.005 | 167.740 | 169.393 | 176.483 | 183.252 | 189.720 | 203.639 | 216.967 | 229.739 | 241.989 | 253.750 | 265.049 | 275.914 |
| M7        | 144.698 | 143.494 | 142.354 | 141.273 | 140.245 | 141.711 | 143.107 | 149.098 | 154.816 | 160.280 | 172.040 | 183.299 | 194.090 | 204.439 | 214.375 | 223.921 | 233.100 |
| M8        | 156.510 | 155.208 | 153.975 | 152.805 | 151.694 | 153.280 | 154.790 | 161.269 | 167.454 | 173.364 | 186.084 | 198.263 | 209.934 | 221.128 | 231.875 | 242.200 | 252.129 |
| M9        | 194.899 | 193.278 | 191.742 | 190.286 | 188.902 | 190.876 | 192.757 | 200.826 | 208.528 | 215.888 | 231.727 | 246.893 | 261.427 | 275.367 | 288.750 | 301.608 | 313.972 |
| M10       | 168.322 | 166.922 | 165.596 | 164.338 | 163.143 | 164.848 | 166.472 | 173.441 | 180.092 | 186.449 | 200.128 | 213.226 | 225.778 | 237.817 | 249.375 | 260.480 | 271.157 |
| M11       | 180.134 | 178.636 | 177.217 | 175.870 | 174.591 | 176.416 | 178.154 | 185.612 | 192.730 | 199.533 | 214.172 | 228.189 | 241.622 | 254.506 | 266.875 | 278.759 | 290.186 |
| M12       | 218.523 | 216.706 | 214.984 | 213.351 | 211.799 | 214.013 | 216.121 | 225.168 | 233.804 | 242.056 | 259.816 | 276.819 | 293.115 | 308.745 | 323.750 | 338.167 | 352.029 |
| M13       | 256.912 | 254.776 | 252.751 | 250.831 | 249.007 | 251.610 | 254.089 | 264.725 | 274.878 | 284.579 | 305.459 | 325.450 | 344.608 | 362.984 | 380.625 | 397.574 | 413.872 |
| M14       | 191.946 | 190.350 | 188.837 | 187.403 | 186.040 | 187.984 | 189.836 | 197.783 | 205.369 | 212.617 | 228.216 | 243.152 | 257.466 | 271.195 | 284.375 | 297.038 | 309.214 |
| M15       | 203.758 | 202.063 | 200.458 | 198.935 | 197.488 | 199.553 | 201.519 | 209.954 | 218.007 | 225.701 | 242.261 | 258.115 | 273.310 | 287.884 | 301.875 | 315.317 | 328.243 |
| M16       | 242.147 | 240.133 | 238.226 | 236.416 | 234.696 | 237.150 | 239.486 | 249.511 | 259.080 | 268.224 | 287.904 | 306.746 | 324.803 | 342.123 | 358.750 | 374.725 | 390.086 |
| M17       | 292.348 | 289.917 | 287.614 | 285.429 | 283.353 | 286.315 | 289.136 | 301.239 | 312.792 | 323.832 | 347.591 | 370.340 | 392.140 | 413.051 | 433.125 | 452.412 | 470.957 |

**Table 10:** Fuel cost for different speeds and ship sizes

## B Reference network

Table 11 shows the routes in the reference network during spring 2010. Next, Table 12 shows the different types of ships used on each of the routes.

| AE1/AE10             | AE10/AE1         | AE2              | AE3              | AE6              |
|----------------------|------------------|------------------|------------------|------------------|
| Yokohama             | Shenzhen Yantian | Busan            | Dalian           | Yokohama         |
| Hong Kong            | Hong Kong        | Xingang          | Xingang          | Nagoya           |
| Shenzhen Yantian     | Tanjung Pelepas  | Dalian           | Busan            | Shanghai         |
| Tanjung Pelepas      | Le Havre         | Qingdao          | Shanghai         | Ningbo           |
| Felixstowe           | Zeebrugge        | Kwangyang        | Ningbo           | Xiamen           |
| Rotterdam            | Hamburg          | Shanghai         | Taipei           | Hong Kong        |
| Hamburg              | Gdansk           | Bremerhaven      | Shenzhen Chiwan  | Shenzhen Yantian |
| Bremerhaven          | Gotenhafen       | Hamburg          | Shenzhen Yantian | Tanjung Pelepas  |
| Tangiers             | Aarhus           | Rotterdam        | Tanjung Pelepas  | Jeddah           |
| Jeddah               | Bremerhaven      | Felixstowe       | Port Klang       | Barcelona        |
| Jebel Ali            | Rotterdam        | Antwerp          | Port Said        | Valencia         |
| Shenzhen Da Chan Bay | Singapore        | Tanjung Pelepas  | Damietta         | Algeciras        |
| Ningbo               | Hong Kong        | Busan            | Izmit            | Tangiers         |
| Shanghai             | Kobe             |                  | Istanbul Ambarli | Tanjung Pelepas  |
| Kaohsiung            | Nagoya           |                  | Constantza       | Vung Tau         |
| Yokohama             | Shimizu          |                  | Ilyichevsk       | Shenzhen Yantian |
|                      | Yokohama         |                  | Odessa           | Hong Kong        |
|                      | Shenzhen Yantian |                  | Damietta         | Yokohama         |
|                      |                  |                  | Port Said        |                  |
|                      |                  |                  | Port Klang       |                  |
|                      |                  |                  | Tanjung Pelepas  |                  |
|                      |                  |                  | Dalian           |                  |
| AE7                  | AE9              | AE11             | AE12             |                  |
| Shanghai             | Laem Chabang     | Qingdao          | Shanghai         |                  |
| Ningbo               | Tanjung Pelepas  | Shanghai         | Busan            |                  |
| Xiamen               | Port Klang       | Fuzhou           | Hong Kong        |                  |
| Hong Kong            | Colombo          | Hong Kong        | Shenzhen Chiwan  |                  |
| Shenzhen Yantian     | Zeebrugge        | Shenzhen Chiwan  | Tanjung Pelepas  |                  |
| Algeciras            | Felixstowe       | Shenzhen Yantian | Port Klang       |                  |
| Tangiers             | Bremerhaven      | Tanjung Pelepas  | Port Said        |                  |
| Rotterdam            | Rotterdam        | Port Klang       | Piraeus          |                  |
| Felixstowe           | Le Havre         | Salalah          | Koper            |                  |
| Bremerhaven          | Tangiers         | Port Said        | Rijeka           |                  |
| Malaga               | Salalah          | Gioia Tauro      | Trieste          |                  |
| Shenzhen Yantian     | Colombo          | Genoa            | Damietta         |                  |
| Hong Kong            | Port Klang       | Fos              | Port Said        |                  |
| Shanghai             | Singapore        | Genoa            | Jeddah           |                  |
|                      | Laem Chabang     | Damietta         | Port Klang       |                  |
|                      |                  | Port Said        | Singapore        |                  |
|                      |                  | Salalah          | Shanghai         |                  |
|                      |                  | Port Klang       |                  |                  |
|                      |                  | Singapore        |                  |                  |
|                      |                  | Liangyungang     |                  |                  |
|                      |                  | Qingdao          |                  |                  |

**Table 11:** Routes in the Maersk network

| AE1/AE10           | Capacity AE10/AE1  | Capacity AE2                  | Capacity |
|--------------------|--|-------------------------------|----------|
| Sofie Maersk       | 8160 A.P. Moller   | 8160 Maersk Seville           | 8478     |
| Albert Maersk      | 8272 Skagen Maersk   | 8160 Maersk Saigon            | 8450     |
| Carsten Maersk     | 8160 Sally Maersk  | 8160 Adrian Maersk            | 8272     |
| Maersk Singapore   | 8478 Arnold Maersk   | 8272 Maersk Salina            | 8600     |
| Clementine Maersk  | 8648 Svendborg Maersk  | 8160 Maersk Savannah          | 8600     |
| Maersk Seoul       | 8450 Svend Maersk  | 8160 Anna Maersk              | 8272     |
| Maersk Taurus      | 8400 Columbine Maersk  | 8648 Arthur Maersk            | 8272     |
| Sine Maersk        | 8160 Maersk Tukang   | 8400 Maersk Stepnica          | 8600     |
| Axel Maersk        | 8272 Clifford Maersk   | 8160 Maersk Semarang          | 8400     |
| Cornelia Maersk    | 8650 Maersk Salalah<br>Maersk Stockholm                                | 8600 Maersk Stralsund<br>8600 | 8450     |
| Average            | 8365   | 8316                          | 8439     |
| AE3                | AE6  | AE7                           |          |
| Maersk Kinloss     | 6500 Mathilde Maersk   | 9038 Eugen Maersk             | 14770    |
| CMA CGM Debussy    | 6627 Maersk Antares  | 9200 Elly Maersk              | 14770    |
| Maersk Kuantan     | 6500 Gunvor Maersk   | 9074 Evelyn Maersk            | 14770    |
| Maersk Kowloon     | 6500 Mette Maersk  | 9038 Edith Maersk             | 14770    |
| CMA CGM Corneille  | 6500 Marit Maersk  | 9038 Estelle Maersk           | 14770    |
| Maersk Kelso       | 6500 Gerd Maersk   | 9074 Maersk Algol             | 9200     |
| CMA CGM Musset     | 6540 Maersk Altair   | 9200 Ebba Maersk              | 14770    |
| Maersk Kwangyang   | 6500 Gudrun Maersk   | 9074 Eleonora Maersk          | 14770    |
| CMA CGM Bizet      | 6627 Marchen Maersk  | 9038 Emma Maersk              | 14770    |
| Maersk Kensington  | 6500 Maren Maersk  | 9038 Gjertrud Maersk          | 9074     |
| CMA CGM Baudelaire | 6251 Georg Maersk<br>Grete Maersk<br>Maersk Alfirk<br>Margrethe Maersk | 9074<br>9074<br>9200<br>9038  |          |
| Average            | 6504   | 9086                          | 13643    |
| AE9                | AE11   | AE12                          |          |
| Maersk Sembawang   | 6478 Charlotte Maersk  | 8194 Maersk Kyrenia           | 6978     |
| Maersk Sebarok     | 6478 Maersk Surabaya   | 8400 Safmarine Komati         | 6500     |
| Maersk Serangoon   | 6478 Maersk Santana  | 8478 CMA CGM Belioz           | 6627     |
| SL New York        | 6420 CMA CGM Faust   | 8204 Safmarine Kariba         | 6500     |
| Maersk Seletar     | 6478 Soroe Maersk  | 8160 CMA CGM Balzac           | 6251     |
| Maersk Kendal      | 6500 Susan Maersk  | 8160 Maersk Karachi           | 6930     |
| Maersk Sentosa     | 6478 Caroline Maersk   | 8160 CMA CGM Ravel            | 6712     |
| Maersk Semakau     | 6478 Cornelius Maersk  | 8160 CMA CGM Flaubert         | 6638     |
| Maersk Senang      | 6478 Chastine Maersk   | 8160 CMA CGM Voltaire         | 6456     |
| Average            | 6474   | 8230                          | 6621     |

**Table 12:** Ships and capacities on the Maersk network

## C Cluster design

Table 13 shows the composition of the ten clusters obtained after aggregation in this study.

| Shanghai         | Hong Kong            | Singapore       | Colombo | Jebel Ali   |
|------------------|----------------------|-----------------|---------|-------------|
| Yokohama         | Xiamen               | Vung Tau        | Colombo | Jebel Ali   |
| Shimizu          | Kaohsiung            | Laem Chabang    |         | Salalah     |
| Nagoya           | Shenzhen Yantian     | Singapore       |         |             |
| Kobe             | Hong Kong            | Tanjung Pelepas |         |             |
| Busan            | Shenzhen Chiwan      | Port Klang      |         |             |
| Kwangyang        | Shenzhen Da Chan Bay |                 |         |             |
| Dalian           |                      |                 |         |             |
| Xingang          |                      |                 |         |             |
| Qingdao          |                      |                 |         |             |
| Liangyungang     |                      |                 |         |             |
| Shanghai         |                      |                 |         |             |
| Ningbo           |                      |                 |         |             |
| Fuzhou           |                      |                 |         |             |
| Taipei           |                      |                 |         |             |
| Port Said        | Valencia             | Rotterdam       | Antwerp | Hamburg     |
| Izmit            | Gioia Tauro          | Zeebrugge       | Antwerp | Bremerhaven |
| Odessa           | Genoa                | Le Havre        |         | Hamburg     |
| Jeddah           | Fos                  | Felixstowe      |         | Gothenburg  |
| Port Said        | Barcelona            | Rotterdam       |         | Aarhus      |
| Damietta         | Valencia             |                 |         | Gdansk      |
| Istanbul Ambarli | Malaga               |                 |         |             |
| Ilyichevsk       | Algeciras            |                 |         |             |
| Constantza       | Tangiers             |                 |         |             |
| Piraeus          |                      |                 |         |             |
| Rijeka           |                      |                 |         |             |
| Koper            |                      |                 |         |             |
| Trieste          |                      |                 |         |             |

**Table 13:** Design of the ten clusters

## D Best Network

| M1               | M2                   | M3               | M4               |
|------------------|----------------------|------------------|------------------|
| Shenzhen Yantian | Tanjung Pelepas      | Busan            | Busan            |
| Shenzhen Chiwan  | Port Klang           | Qingdao          | Shanghai         |
| Hong Kong        | Singapore            | Liangyungang     | Shenzhen Yantian |
| Xiamen           | Colombo              | Shanghai         | Hong Kong        |
| Kaohsiung        | Barcelona            | Tanjung Pelepas  | Singapore        |
| Colombo          | Valencia             | Singapore        | Port Klang       |
| Jebel Ali        | Malaga               | Port Klang       | Felixstowe       |
| Salalah          | Tangiers             | Jeddah           | Rotterdam        |
| Gioia Tauro      | Algeciras            | Port Said        | Antwerp          |
| Barcelona        | Antwerp              | Damietta         | Salalah          |
| Valencia         | Zeebrugge            | Zeebrugge        | Jebel Ali        |
| Algeciras        | Rotterdam            | Rotterdam        | Colombo          |
| Antwerp          | Le Havre             | Bremerhaven      | Busan            |
| Zeebrugge        | Felixstowe           | Hamburg          |                  |
| Rotterdam        | Tanjung Pelepas      | Algeciras        |                  |
| Le Havre         |                      | Valencia         |                  |
| Felixstowe       |                      | Salalah          |                  |
| Antwerp          |                      | Jebel Ali        |                  |
| Algeciras        |                      | Busan            |                  |
| Valencia         |                      |                  |                  |
| Gioia Tauro      |                      |                  |                  |
| Shenzhen Yantian |                      |                  |                  |
| 10000 TEU        | 9000 TEU             | 8000 TEU         | 7000 TEU         |
| M5               | M6                   | M7               | M8               |
| Ningbo           | Shenzhen Yantian     | Ningbo           | Shenzhen Yantian |
| Qingdao          | Shenzhen Chiwan      | Qingdao          | Shenzhen Chiwan  |
| Busan            | Kaohsiung            | Liangyungang     | Hong Kong        |
| Xingang          | Xiamen               | Shanghai         | Jeddah           |
| Dalian           | Shenzhen Da Chan Bay | Colombo          | Port Said        |
| Shanghai         | Hong Kong            | Le Havre         | Damietta         |
| Gioia Tauro      | Colombo              | Zeebrugge        | Colombo          |
| Barcelona        | Gioia Tauro          | Rotterdam        | Port Klang       |
| Valencia         | Valencia             | Felixstowe       | Tanjung Pelepas  |
| Algeciras        | Algeciras            | Damietta         | Singapore        |
| Antwerp          | Hamburg              | Port Said        | Shenzhen Yantian |
| Felixstowe       | Bremerhaven          | Jeddah           |                  |
| Zeebrugge        | Rotterdam            | Shenzhen Chiwan  |                  |
| Rotterdam        | Le Havre             | Hong Kong        |                  |
| Bremerhaven      | Zeebrugge            | Shenzhen Yantian |                  |
| Hamburg          | Felixstowe           | Ningbo           |                  |
| Algeciras        | Shenzhen Yantian     |                  |                  |
| Valencia         |                      |                  |                  |
| Ningbo           |                      |                  |                  |
| 14000 TEU        | 9000 TEU             | 9000 TEU         | 8000 TEU         |

**Table 14:** Main routes of the best network

| Route | Capacity | Ports visited | Genoa                | Fos             | Barcelona        |
|-------|----------|---------------|----------------------|-----------------|------------------|
| F01   | 2500     | Valencia      | Algeciras            | Gioia Tauro     | Valencia         |
| F02   | 1250     | Valencia      | Tangiers             | Malaga          | Valencia         |
| F03   | 2250     | Hamburg       | Aarhus               | Gdansk          | Hamburg          |
| F04   | 800      | Rotterdam     | Zeebrugge            | Felixstowe      | Rotterdam        |
| F05   | 2500     | Shanghai      | Kwangyang            | Busan           | Nagoya           |
| F06   | 2250     | Shanghai      | Yokohama             | Dalian          | Shanghai         |
| F07   | 2500     | Shanghai      | Xingang              | Qingdao         | Shanghai         |
| F08   | 200      | Shanghai      | Shimizu              | Shanghai        | Shanghai         |
| F09   | 2000     | Shanghai      | Liangyungang         | Taipei          | Fuzhou           |
| F10   | 1500     | Hong Kong     | Shenzhen Da Chan Bay | Shenzhen Chiwan | Ningbo           |
| F11   | 2000     | Singapore     | Laem Chabang         | Singapore       | Xiamen           |
| F12   | 800      | Singapore     | Port Klang           | Vung Tau        | Singapore        |
| F13   | 1000     | Port Said     | Constantza           | Odessa          | Ilyichevsk       |
| F14   | 4000     | Port Said     | Piraeus              | Izmit           | Istanbul Ambarli |
| F15   | 200      | Port Said     | Rijeka               | Port Said       | Port Said        |
| F16   | 700      | Port Said     | Trieste              | Koper           | Port Said        |

Table 15: Feeder routes of the best network