

# SUNDAY SPOTLIGHT

2 OCTOBER 2011, ISSUE 28

## SEAINTEL MARITIME ANALYSIS

### COST OF PIRACY

Container shippers now pay 1.8 billion USD annually as a consequence of the Somali pirates

SeaIntel Sunday Spotlight analyzed the cost to shippers of the Somali piracy activity in the spring of 2011. We have now re-evaluated the situation, and find that the costs have further escalated.

The cost to shippers is in this context measured as the amount they need to pay in piracy surcharges to the carriers.

We find that this cost has increased from an annualized estimate of 1.2 billion USD to 1.8 billion USD

#### The situation

As also outlined in our analysis in the spring, it is misleading to refer to pirate activity as being "off the Somali coast". In reality, the Somali pirates operate throughout the Indian Ocean. In recent weeks they have further escalated their

We are now witnessing incidents where the pirates go ashore on Kenyan holiday destinations to kidnap people. We have also witnessed the hijacking of a vessel just 2 miles outside port in Oman.

To illustrate the situation, let us take a brief look at the pirate incidents recorded in just the past week.

According to NATO, there have been three attacks and one approach in the Southern Red Sea, two incidents of suspicious activity in the Gulf of Aden, one incident of suspicious activity in the Arabian Sea and a disruption of a Pirate Action Group in the central Somali Basin.

The following are excerpts from reports listed by the International Chamber of Commerce:

### PACIFIC RATES INCREASES NOW GONE

Last week, SeaIntel Sunday Spotlight showed that only 22 USD/FFE remained of the recent rate increases on the Pacific eastbound trade. Two days ago, the spot rate declined by 33 USD/FFE, hence the increases are now completely eliminated. It is clear that capacity reductions are necessary, and the past week has seen quite an increase in the announcements of service pull-backs in the Pacific. In the absence of any peak season to speak of, these reduction are likely insufficient, and we would expect further announcements over the coming months.

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