

### TRANSPACIFIC SUPPLY/DEMAND DEVELOPMENTS 2010-2012

#### Significant overcapacity despite removal of services

Last week we analyzed the supply/demand development on the Asia-Europe trade. This week we will similarly analyze the development on the Asia-North America trade.

The Asia-North America trade has been hit by lower demand, an absent peak season and overcapacity – just like the Asia-Europe trade. Freight rates have declined since the summer 2010, and some of the carriers have gradually pulled capacity on the trade since the summer this year.

In April, The Containership Company went out of business and therefore left the trade. During the summer, Hainan PO Shipping and TS Lines each suspended two of their transpacific services, and Matson and Grand Alliance each suspended one of their

Alliance has closed two of their services, and the New World Alliance has pulled one service. Finally, Horizon Lines has abandoned the trade as well.

Unfortunately, the decrease in deployed capacity has not stabilized the freight rates. The tendency is still downwards for both US West Coast and East Coast.

Just like last week, we have used our Global Liner Schedule Reliability database to make a deeper analysis of the capacity deployment on the transpacific trade.

As we analyze the capacity deployment on the transpacific trade, we have divided the trade into three different areas: Asia-US West Coast, Asia-US East Coast via the Panama Canal, and Asia-US East Coast via Suez.

#### A BALANCING ACT

The announcement of the new G6 alliance on the Asia-Europe trade is the latest move in the "game" ongoing on the Asia-Europe trade. Given the focus on anti-trust legislation in the EU, we expect this new alliance needs to perform quite a balancing act. On one hand they need to establish a well-coordinated network. On the other hand they cannot be seen as artificially manipulating market supply, nor agreeing on pricing. With the market practice being the announcement of rate increases and surcharges well ahead of time, this will become a challenge. And it appears almost certain, that even if the G6 make sure they stay on the right side of the line, some shippers might still lodge an anti-trust complaint, and it also appears likely that