

PACIFIC PRICE DIFFERENTIAL

Different competitive pricing mechanism between US East Coast and US West Coast

We have for a while been developing a freight rate database, and as this development is entering the final stages, we are able to extract parts of the data to analyze pricing developments on the Transpacific, at a port to port level, and match this against the Transpacific niche market analysis we did in last week's issue of the SeaIntel Sunday Spotlight.

As outlined last week, we found a significant spread of products offered between different ports on the Transpacific trade. If we count each carrier's own products individually – even if they load on another carrier's vessels – we found that 58% of the port-port combinations had no direct service. We also found, that at the other end of the scale, 7% of all port-port combinations had more than

These statistics do not include products offered via transshipments.

Clearly with, say, 20 different products on a single port-port combination, we would also find a variety of different rate levels – and therefore a rate spread for each port-port combination. Some of these rates would be for the direct service, and some for the transshipment products.

However, one question intrigued us, and with our new freight rate database nearing completion, we were able to make a quantitative analysis.

If we take the number of weekly products offered on a given port-port pair, this is to some degree a measure of the competitive pressure on that port-port pair.

The question is whether the

Horse trading

It very often appears that business in the container shipping industry is closely related to the good old art of horse trading. As every horse trader knows, the price is less related to objective facts, than it is to the appearance of facts. After all, if the buyer believes that the horse is young – then the introduction of a birth certificate would not be in the seller's interest. Similarly, if the seller believes other traders are selling at a discount, the buyer will not point him to objective facts saying otherwise. With the game now opened for the 2012 Pacific rate negotiation, the horse trading has also begun. However, the game is slowly changing as the emergence of ever more objective facts is gradually reducing the ability for both