



COST OF THE PRICE WAR IN 2011

The price war in itself cost the carriers 11.4 billion USD

There is no question that the market has gone through a severe price war in 2011, particularly focused on the Asia-Europe trade, and to a slightly smaller degree on the Trans pacific trade.

Maersk Line has made it clear to the market that they want the price war to stop – but that they do not want to lose market share. It is equally clear that all carriers have maintained discipline in the past couple of weeks, and achieved the announced rate increases in Asia-Europe, although these rates did slide slightly according to the SCFI spot index on 9 March. Spot rates were down 1.7% and 1.3% to North Europe and Mediterranean, respectively.

Given the amounts of capacity due to arrive in 2012, it remains somewhat uncertain whether the price war has indeed ended. At the end of the day, the carriers are engaged in a classic example of “Prisoners Dilemma” and it only requires one or two of them to break ranks, and the price war may well erupt again.

However, waging a price war does not come cheap. Hence while waiting to see whether the carriers will maintain discipline, or whether we will see a new fight for market share, we decided to calculate what the cost of the price war in 2011 has been. It turns out that the price tag for the past 14

Big Harold

The President of the ILA union on the US East Coast presented quite a “show” at the TPM conference in Long Beach. Labeling himself “Big Harold”, he spoke passionately about the need to make sure automation did not result in the loss of a single union job in the US East Coast ports. His passion had strength. However, shippers do not have the strength for a labor dispute on the east coast, hence unless the rhetoric gives way for a pragmatic master contract, the west coast ports might be in for quite a cargo boom in the fall.

Content

- 1...Cost of the price war
- 5...Demographic impact
- 7... Own vs charter ratio
- 9...Service changes
- 9...Rate changes

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