



Reliability from global vessels to the container at the country level:

Performance in July 2012.

See page 17 for details.

RE-IGNITION OF THE PRICE WAR

Close analysis of the spot rates show the week-to-week carrier discipline is now markedly worse than in 2011

As is well-known, 2011 saw a fierce price war between the carriers, particularly on the Asia-Europe and Transpacific trades, with Asia-Europe being the most affected, showing negative base rates towards the end of 2011. In 2012 the price war was replaced by a new-found discipline amongst the carriers resulting in rapid price increases and a slow return towards improved profitability for the carriers.

As it is evident that the supply/demand balance has not been particularly strong, the rate increases has been ascribed to the carriers price discipline and their collective tacit agreement to play the pricing game in a way such as to increase rates despite unsatisfactory vessel utilization.

Such behavior does not signal any kind of illegal cartel formation – it is simply the most rational way to drive your own business if the objective is to improve profitability in a commoditized market with many players and no possibility to stimulate additional demand by lowering prices.

However, a closer analysis of the spot rate development in 2012 shows the above description of market conditions to be only partially true. In reality the strong discipline is only found to exist at the festive events surrounding

Signs of danger

This week saw the main ex-Asia rates decline. In itself this is not cause for alarm. However; when looking at the underlying trend, a more disturbing image appears. This “storyline” the industry has been telling itself over the past 6 months – that carriers have found a new discipline with which to maintain prices, and hence profitability - is no longer supported by data. Rate erosion has reached a level in excess of rate increases, and the carriers will be forced to play the trump card soon – pulling large vessels out of the trade.

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