

Lines see rate increase success, but big 2011 losses

Liner carriers who sought to raise revenue levels on the Asia-Europe and transpacific trades at the end of 2011 were largely successful in doing so, according to research from maritime analyst SealIntel.

SealIntel's *Sunday Spotlight* report showed the average rate increase or peak season surcharge sought by 10 carriers who announced planned increases or surcharges was \$252 per TEU. Spot rates on the trade rose from a low of \$490 on Dec. 9 to \$730 by Jan. 6.

"This is an increase of \$240 per TEU and is as such slightly short of the announced increases of \$252 per TEU, but does indeed constitute a 95 percent successful implementation of the increases," SealIntel wrote.

On the eastbound transpacific, member carriers of the Transpacific Stabilization Agreement sought an interim rate increase of \$400 per FEU from Jan. 1.

"The spot rate on Jan. 6 was \$1,813 per FEU – a \$395 increase from the low point of \$1,418 FEU on Dec. 16," SealIntel wrote. "Same as with Asia-Europe this is slightly short of the announced increases, but amounts to a 99 percent successful implementation."

The report suggests the rate increases are sticking due to strong demand, even though that demand might only last until the Chinese New Year.

"The carriers are in the midst of quite a fierce rate-war, and have been for the past 18 months on the main east-west trades," SealIntel said. "In this context it appears highly unlikely they would have colluded to increase rates. Furthermore in this context it also appears unlikely that they collectively would have had the discipline to force through such increases had their vessels been half-empty.

"However, unless significant cancellations of sailings are announced, we do not expect these increases to stick beyond Chinese New Year."

The report also said that carriers lost an average of 11 percent on revenue through the first three quarters of 2011, with that number trending worse in the fourth quarter. SealIntel equates that to a \$300 per FEU loss in revenue for the industry.

"For some it is more, for some it is less," the analyst said.

With SealIntel estimating 80 million TEUs of global volume in 2011 being impacted by this average \$300 per FEU decline, "that translates into a revenue loss of \$12 billion, more or less in line with our projection from March 2011."

The report is available at www.seaintel.com.

Source: American Shipper