CARGO VOLUMES

Drewry's dreary outlook for rates comes despite its forecast for an overall increase of 8.1 percent in global container traffic this year.

The July issue of the *Global Port Tracker*, a monthly report produced by the consulting firm Hackett Associates and the National Retail Federation, is forecasting that U.S. imports of containerized retail goods will be up 6.2 percent this year, despite a summer slowdown, with slight decreases in June and July and a mere 0.6 percent increase in August.

But it estimated that September volume will be up 10 percent over the same month last year and that volume in October and November will be up about 18 percent.

That rosy forecast is predicated on the assumption that retailers will significantly increase their orders as the holiday shopping season moves closer. "Retailers are confident consumer demand will be there in the fourth quarter," said Jonathan Gold, the National Retail Federation's vice president for supply chain and customs policy.

Jay said he shared that optimism. "Inventories are very tight right now. People believe orders may be pushed along to the end of the year, and we may see a surge," he said.

If volumes increase substantially, carriers may then be able to impose the peak season surcharge. But given the tepid economic recovery in the U.S. and recent forecasts by the Federal Reserve and others for much lower growth this year than they originally projected, consumer demand may not be nearly as high as the *Port Tracker* assumes. The Fed has reduced its growth forecast for this year to a range of 2.2 to 2.9 percent.

Zepol, a trade intelligence firm, reported that U.S. containerized import shipments in June were down 4.6 percent from May and 7.4 percent from June 2010. Zepol attributed the decline to a 6 percent drop in shipments from Asia, with China accounting for most of the decrease. It said total containerized shipments for the first half of the year were up 4.8 percent.

SERVICE CUTBACKS

"The industry knows that laying up ships is the answer and that attempts in withdrawal of limited capacity from the main East-West trades is not enough corrective surgery. The fact that many ships are just being recycled into other trade lanes is also merely transferring the pain elsewhere," the *Container Forecaster* reported.

> "What's killing the carriers is a complete lack of discipline."
> **Marc Greenberg, The American Companies**

Some carriers are getting the message. Last month the New World Alliance, composed of APL, Hyundai Merchant Marine and MOL, suspended its Pacific Southwest service, which connected Taiwan, South China and Korea to California. Vessels in that service had an average capacity of 3,960 TEUs.

In addition, CMA CGM, Maersk Line, and Mediterranean Shipping Co. postponed plans to launch a third trans-Pacific joint service, which was to deploy five ships of between 6,000 and 7,000 TEUs, in a loop that will call at Ningbo, Shanghai, Los Angeles and Ningbo.

Hong Kong-based TS Lines and Hainan-based Hainan Pan Ocean Shipping have suspended their TP1 loop originating at Ningbo and calling at Shanghai and Long Beach. The TP1 service deployed four 3,000-TEU ships.

Moffett of Audiovox worries that the industry could find itself in a situation much like it did in early 2010, when space was at a premium due to sharp reductions in capacity in late 2009. Carriers routinely bumped containers and imposed spiraling rate increases — much like a roller coaster making a steep ascent. For shippers, it brought back painful memories of the rocket climb in 2007 and early 2008, when rates soared because capacity was so tight.

By late spring of last year, the market stabilized as cargo volumes and capacity both increased steadily.

But now, with weak cargo volumes and soaring capacity, the carriers may be in the front row of a plunge down the roller coaster.

TSA FUEL SURCHARGES

(per standard 40-foot dry container)

Bunker	Q3 2011	Q2 2011	Q3 2010
West Coast	568	468	368
East Coast	1107	879	727
Inland Fuel	**Q3 2011**	**Q2 2011**	**Q3 2010**
rail/intermodal	375	295	243
RIPI*	188	148	122
local trucking	108	85	70

** Reverse inland point intermodal. These surcharge rates apply to intermodal cargo shipped from East and Gulf Coast ports to interior points.*

Source: TransPacific Stabilization Agreement