



# NoPort News

A newsletter of the North Carolina International Terminal

*All the news that prints to fit.*

November 17, 2009

## ***Rate Conferences and Shipping Rates***

We have reported that the Wilmington District of the US Army Corps of Engineers is conducting a reconnaissance study for a new channel for the proposed North Carolina International Terminal (with all the secrecy of planning an invasion of enemy territory). In the study, the Corps would determine whether there is a “Federal interest” in pursuing the project.

This is principally an economic question, with a nod in the direction of environmental issues. The heart of the study is a benefit/cost analysis: if benefits exceed costs, the project would contribute to national economic development, and should proceed to the next stage.

The primary benefit from the proposed terminal and the related channel would be accommodation of larger and more efficient container ships. Such ships, 1200 feet long with a draft of 50 feet and beam of 160 feet, would be able to pass through the Panama Canal after the new locks are open in 2014 or thereabouts. Larger ships provide economies of scale—lower costs per container per voyage.

Because all container ships in international trade are foreign-owned and foreign-registered, those operating economies would benefit the foreign owners. In order to provide a contribution to national economic development, such benefits must somehow be passed through to American consumers and American exporters.

In a perfect world, competitive market forces would tend to drive shipping rates down as owners of the larger ships seek to take advantage of the operating cost advantage to increase business for their ships. American consumers and exporters would benefit from the lower rates.

But that is not what happens in the international shipping business. There is no competition. Shipping lines enjoy antitrust immunity under the Shipping Act of 1984. Shipping lines can fix prices among themselves, allocate markets, collude and conspire, eliminating the normal effect of competition, and retaining for themselves any economies from the larger ships.

And they do fix prices. The mechanism is the “rate conference,” in which representatives of shipping lines meet and set the rates that they all will charge. The rate conference for Asian-US trade—to both west and east coasts—is the Transpacific Stabilization Agreement. You can look it up. All of the large shipping lines in the trans-Pacific trade participate.

So if there are any benefits from this multi-billion dollar project, the beneficiaries would be Maersk, COSCO, K-Line, Yang Ming, Hanjin, and others of their ilk.

Not the taxpayers who bear the cost.

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