This year will determine if the shipping industry returns to reasonable demand and rational results, or if it continues to suffer from internal and external trauma.

Some of these ancient themes seemed to emerge last month at a meeting of the Transpacific Stabilization Agreement. In seeking a container rate increase of $400 per 40-foot container next week, the TSA seeks at least a partial recovery of the drastic shipping compensation that was “borrowed” through the enormous rate reductions at the beginning of this contract season. In looking both forward and backward in time, the TSA had previously announced its intention to recover $800 to $1,000 per FEU in rates with service contracts scheduled to commence this May.

The TSA also announced a floating bunker surcharge to recover the 80 percent increase in fuel costs this year.

And in a rather ingenious cloaking of pricing impact — which the TSA is not allowed to discuss — the TSA is seeking Federal Maritime Commission permission to allow discussion of slow-steaming vessels. This is a valid environmental initiative that might enable carriers to reduce diesel emissions along with operating costs. Still, to some, it is reminiscent of the conference era when all-water rates were kept high to protect intermodal ocean carriers.

The TSA, under the leadership of APL’s Ron Widdows, faces a crucial test. Drewry’s Shipping Consultants estimates the liner shipping industry lost around $20 billion in 2009, even with almost 15 percent of its capacity withdrawn from service. At its heart, the TSA economic challenge illuminates a conflict between company and group rationality. There’s an entire field of mathematics known as game theory that studies this tradeoff, and Nobel Prizes have been won on the analysis of rationality and human behavior.

One classic scenario in game theory is known as the “prisoners’ dilemma.” Each of two suspects in separate cells is offered three alternatives: If both confess, each gets five years; if only one confesses, he goes free, but the other will get 10 years; if neither confesses, both get one year. The “dilemma” is that regardless of what one prisoner does, the other prisoner is better off confessing than remaining silent — yet the result if both confess is worse for each than had they both remained silent.

One only need substitute price unity for silence and rate cutting for comprehension to understand the TSA’s “dilemma.”

Imagine two lines negotiating with a major importer. Each line is offered three alternatives: If both cut rates, both get half the business; if only one cuts rates, the one cutting rates gets all of the business and the other line gets nothing; if neither cuts rates, both get a small allocation. Regardless of what the other line does, each line is better off cutting rates than maintaining price unity.

Some might believe a game theory analogy is inappropriate because of the inherently irrational history of the industry. Although some might maintain the liner shipping industry is suffering from the collapse of a bubble economy, others believe the industry was living within its own bubble, where all growth projections looked like the perpetual upward slope of a hockey stick. When you examine the new ships being built, it looks almost as if a dozen lines were each planning to capture 100 percent of incremental volume.

Almost everyone in the transportation industry hopes the TSA is successful. Other modes hope the carriers’ success will presage rate strength in their sectors. Suppliers to ocean carriers, meanwhile, hope to put an end to panic-induced price ultimatums. It remains to be seen whether shippers accept price increases to which they have all given lip service as “welcome stability” in the marketplace.

The TSA action may be too little, too late for companies that have exhausted all sources of financial relief and now face an uncertain theory. It has been almost a generation since the collapse of United States Lines, although our industry is still populated by survivors. This year will determine whether the shipping industry returns to reasonable demand and rational results, or whether it continues to suffer from internal and external trauma.

And if that trauma grows greater, we’ll be talking less about game theory and more about chaos theory.