

August 11, 2015

Transpacific Eastbound Market Update

To Our Valued Customers:

Since our last update, much has happened in the Transpacific trade that potentially impacts your business and we wanted to provide some highlights below:

**Space and Capacity:** Despite a perceived slow start to the 2015 traditional peak season, space is beginning to tighten, especially from three key ports in China: Yantian (and all Shenzhen ports), Ningbo and Shanghai. Space is especially tight from these origins to LA/LGB and Prince Rupert. We expect this space situation to continue to be tight through the end of October. There are a lot of reasons for the sudden tightening of space, including but not limited to a general increase in demand, skipped rotations due to congestion in Oakland, skipped or altered sailings due to a series of typhoons, and a return of many importers to start using LA/LGB as their gateway for US imports as conditions have been improving. Most of these issues are mentioned below.

**Typhoons:** The Far East continues to be impacted by a series of strong typhoons. The latest, Typhoon Soudelor, is presently battering the east coast of Taiwan and will approach the east coast of China by the end of the week. As a result of these typhoons we are seeing vessels skip certain ports, alter their rotations, and consequently change schedules accordingly.

**General Rate Increase:** Following a successful GRI on August 1, 2015, Transpacific Carriers have announced yet another GRI for all shipments from the Far East to all US destinations with an effective date of September 1, 2015. The filed GRI is as follows: \$540/20', \$600/40', \$675/HQ, \$760/45'.

**Peak Season Surcharge:** As a result of the recent tightening of space, and the strong peak forecasts from most carriers and BCOs, carriers in the Transpacific trade have announced their intent to assess the previously filed PSS effective August 15, 2015. The filed amount of the PSS is \$360/20', \$400/40', \$450/HQ, and \$510/45'.

**Rail Delays in Long Beach/Los Angeles:** There is no question conditions on the west coast in general have improved since the agreement was reached between the ILWU and the PMA earlier this year. However, over the last three weeks we have started to experience significant rail delays in LGB/LA - some more than 15 days - of containers transferring to the appropriate rail ramp to move to their inland CY destination. We are seeing this in all terminals and with various carriers. What we are being told is that these delays are being caused by a number of issues, including chassis shortages, driver shortages in Southern California, railcar shortages and general congestion.

**Oakland, CA:** The delays and congestion that plague Oakland today have been well documented. Conditions are not improving. In fact, what we are seeing is more and more carriers skipping Oakland, CA altogether to minimize their exposure to delays which impact their overall schedule integrity. Just this week the G6 Alliance announced they will skip Oakland for the next three SC1 voyages (APL Antwerp, APL New York, APL Latvia) departing Asia.

Our #1 priority right now continues to be to maximize space and equipment availability to all our customers, to keep your cargo flowing as quickly and as consistently as possible, and to continue to communicate effectively along the way. It will be a while before we can get back to some sense of normalcy. And until that happens, we are 100% committed to getting through this with you - as your partner.

We thank you for your continued support.