



February 3, 2015

Transpacific Eastbound Market Update

To Our Valued Customers:

We'll keep this one short – but wanted to provide a current snapshot of what we are seeing and experiencing in the market as it relates primarily to west coast conditions.

Port Congestion: Conditions at all west coast terminals remain extremely congested and have deteriorated since our last market update on January 6, 2015. The below is an outline of what we are currently experiencing throughout the west coast network:

Port/Terminal	Berthing Delays	Local Trucking Delays	Rail transfer and IPI Delays
Long Beach / LA	5-12 days	5-15 days	Some 5-10 days, others can be 20+ days
Seattle / Tacoma	7-14 days	6-10 days	Most between 8-15 days, some 30+ days
Oakland, CA	7-20 days due to LA/LGB	5-10 days	Most between 3-5 days, others can be 10+
Vancouver, BC	7-12 days due to SEATAC	2-5 days	Most between 6-10 days, some 15+ days
Prince Rupert	0-2 Days	N/A	Most between 3-4 days, some 7-8 days

Vessel Schedule Integrity: The trade is still experiencing significant delays in vessels returning to Asia from the US West Coast. It is very difficult to predict vessel schedules when bookings are made as carriers do not know with certainty when the ships will arrive at the designated port in Asia. This is having an impact on trans-shipment cargo, empty equipment returns to Asia, ports being skipped on the return leg to make up time, and general confusion regarding scheduling. Some carriers are even switching discharge ports in the US (especially in Seattle/Tacoma) at the last minute based on conditions that day, or even skipping the discharge port entirely. The most frequent US ports being skipped on the west coast are Portland and Oakland.

ILWU/PMA Negotiation and Federal Mediation: Despite the encouraging news leaked about a tentative resolution regarding jurisdiction over chassis maintenance and repair, the rhetoric between the PMA and ILWU has elevated once again just in the last few days. And despite our reluctance to publish rumors in this newsletter, we are hearing from various sources that without a resolution in the immediate future, there may in fact be a lock out or official strike within the week.

Trucking: The limited availability of drivers, the disorganization of the national chassis fleet, and severe port congestion all have contributed to severely impact the ability to effect ocean container deliveries and pick-ups throughout the country. The worst conditions remain in LA/LGB, SEATAC, Oakland and Chicago. Most dray carriers are either rejecting business outright, charging Congestion Surcharges in excess of \$150/container, charging waiting time and for dry runs – or a combination of the above.

East Coast All Water Space Situation: Some positive news here. Because demand is so high, and because the market rate levels to the east coast are so incredibly high (in the \$5000/40' range and soon to increase), carriers have added "extra loaders" to accommodate. These are ships that are relatively small, that are not shared among alliance members, that are not on any published schedule, and are typically made available at a set price per container. Because of this additional capacity to the east coast, the carriers have been able to reasonably keep up with market demand and provide an outlet for those importers trying to avoid the west coast at all costs.





West Coast Space Situation: Even west coast space is impacted by all these issues. Space is tightest on the two weekly Prince Rupert services with vessels booked full 3-4 weeks in advance. Vancouver is also very tight. Despite having full ships to the US West Coast, the real issue to the west coast right now is the frequency of skipped sailings and rotations.

General Rate Increase: Transpacific Carriers have announced yet another GRI (there were 9 GRIs in 2014) for all shipments from the Far East to all US destinations with an effective date of February 9, 2015. The filed GRI is as follows: \$540/20', \$600/40', \$675/HQ, \$760/45'.

Low Sulfur Charge (LSF): The United States Environmental Protection Agency (EPA) has taken action under the Clean Air Act to mandate the use of a more expensive low sulfur fuel (LSF) in designated areas of the U.S. Coastal Zones in coordination with the International Maritime Organization. As a result of this new regulation and the requirement to use more expensive fuel, beginning January 1, 2015, TSA carriers have imposed a Low Sulfur Fuel Surcharge at the following levels on both contract (NSA) and non-contract rate levels:

To/Via US West Coast: \$48/20', \$53/40', \$60/HQ, \$67/45'

To/Via US East and Gulf Coast: \$60/20', \$67/40', \$75/HQ, \$85/HQ

First 2015 Peak Season Surcharge: Due to current market conditions and space constraints across all networks, carriers in the TP trade have also filed a 2015 Peak Season Surcharge effective January 15, 2015 (this is separate from the above GRI) at the following rate levels: \$360/20', \$400/40', \$450/HQ, and \$510/45'.

Lunar New Year Update: Offices throughout China will be closed from February 18 to February 24 in honor of Chinese New Year. Other Asia countries which celebrate this holiday will also be closed starting February 18 for a period of 2-4 days.

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 this mess on the west coast clears and 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.