January 6, 2015 **Transpacific Eastbound Market Update**

To Our Valued Customers:

Everyone reading this Laufer Market Letter is aware of the market conditions and how it is impacting you, your organization, and your ability to service your customers effectively. So much of this is not new to any of you; you're in it every day.

But with conditions changing every day, we feel it is still very important to share with you what we are seeing from a macro level. Some of these issues may not directly impact you today, but may soon begin to have an impact as they all tend to be interconnected. With that goal in mind, we have put together an outline of current market issues for your reference below:

Port Congestion: Conditions at all west coast terminals remain extremely congested, especially following the Christmas and New Year weekends. 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	4-8 days	4-8 days	Some 3-4 days, others can be 20+ days
Seattle / Tacoma	6-10 days	3-6 days	Most between 8-15 days, some 30+ days
Oakland, CA	5-10 days due to LA/LGB	4-8 days	Most between 3-5 days, others can be 10+
Vancouver, BC	6-10 days due to SEATAC	2-5 days	Most between 4-7 days, some 15+ days
Prince Rupert	0-2 Days	N/A	Most between 2-3 days, some 7-8 days

Vessel Schedule Integrity: The trade is 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.

ILWU/PMA Negotiation and Federal Mediation: As you all know there has been no contract settlement between the ILWU and the PMA on the US West Coast, and both parties have requested assistance from the Federal Mediation and Conciliation Service. So effective January 5, 2015 the FMCS is now involved and is offering assistance to mediate the impasse. Two important things to remember: The FMCS has no authority to "impose" a resolution, and during mediation comments and updates from all parties will not be forthcoming.

BNSF Rail Embargo Update: Due to the ongoing congestion issues on the USWC, BNSF has embargoed all ocean container movement within its network to/from/via USWC ports that require an interchange with another rail carrier (CSX, CN, Norfolk Southern). This impacts both US import and export cargo flows. Impacted areas will be concentrated on the eastern half of the country (that require an interchange in Chicago, KC, elsewhere) and include (but not necessarily limited to) the following locations: Baltimore, Charlotte, Cincinnati, Columbus, Cleveland, Detroit, Jacksonville, Louisville, Miami, Nashville, New York, Philadelphia, Pittsburgh, Atlanta, Savannah, and Norfolk. This embargo is effective immediately and will remain in place until BNSF can be confident that cargo can effectively flow within its comprehensive network.

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 and Houston All Water Space Situation: Demand for east coast space is extremely high as importers and exporters try to avoid the west coast. It will remain high through and beyond Chinese New Year. The BNSF rail embargo for ocean containers destined to/originating from the eastern half of the country will only make matters worse. The all water market is experiencing roll-overs and shut-outs, and most vessels are solidly booked to capacity 3-4 weeks in advance. In addition, some carriers, like the G6 alliance (OOCL, NYK, HPL, APL, MOL, HYMM), reduced their all water capacity last month due to their winter scheduling program which is in place through the spring.

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. LA/LGB/OAK/SEA/TAC all remain close to full capacity despite the reluctance to use them. There is simply too much cargo flowing.

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 January 15, 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

1st Quarter BAF: Please be advised that effective January 1, 2015, TSA carriers adjusted their Quarterly Fuel Surcharge as follows:

To/Via US West Coast:	$400/20', $444/40', $500/HQ, $562/45'
To/Via US East and Gulf Coasts:	$775/20', $861/40', $969/HQ, $1090/45'

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 is 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.