

January 21, 2015

Transpacific Westbound Market Update

To Our Valued Customers:

Much of what has been published in journals, periodicals, and statements from industry experts regarding the ongoing labor and congestion issues on the west coast has largely been focused on the US import market. However, the impact on US exporters who are using west coast gateways to service their international customers is significant as well – and in some cases much more so.

Due to conditions changing every day, we feel it is very important to share with you what we are seeing from a macro level in all areas of the export supply chain. 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 conditions for your reference below:

**Port Congestion:** Conditions at all west coast terminals remain extremely congested. In fact, since federal mediators were invited by both parties to help end the stalemate in negotiations, the rancor between both parties has elevated and conditions have significantly deteriorated. The below is an outline of what we are currently experiencing throughout the west coast network:

Port/Terminal	Berthing Delays	Rotation Issue Impacting Exporters
Long Beach / LA	4-12 days	Some vessels are not accepting export containers
Seattle / Tacoma	5-14 days	Some carriers are switching terminals without prior notice
Oakland, CA	8-14 days	Large numbers of vessels are skipping Oakland completely
Vancouver, BC	6-10 days	Rotations between SEA, TAC, VCR are being switched at the last minute
Prince Rupert	1-3 Days	COSCO is rationing export allocations through PRR
Portland, OR	7-14 days	Portland is being skipped on numerous rotations through Jan/Feb

**Vessel Schedule Integrity:** The trade is experiencing significant delays in the berthing of vessels along the west coast (as referenced above). It is very difficult to predict vessel schedules when bookings are made as carriers do not know with certainty when the ships will arrive or if they will arrive at all. This is creating confusion and uncertainty regarding vessel cut-offs and Equipment Return Dates (ERDs) as dates are constantly changing – and in many cases without prior notice. Some carriers are even switching discharge ports in the US (especially in Seattle/Tacoma) at the last minute based on conditions that day. Some carriers are having their vessels arrive at the port, discharging the import containers, loading empties and returning immediately to Asia without loading export containers at all.

**ILWU/PMA Negotiation and Federal Mediation:** As you all know there has not been a 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. It is our understanding also that the mediator has since dismissed himself from the discussions as both parties seem determined not to come to a resolution.

**Port Congestion Surcharge:** Should there be a formal strike or lock-out, carriers will not hesitate to impose the previously filed Port Congestion Surcharge to go into effect immediately at: \$800/20’, \$1000/40’, \$1000/HQ.

**Trucking:** Coordinating the trucking of export containers has become increasingly difficult. Most carriers are assessing a mandatory Port Congestion Surcharge ranging from \$130 to \$200 per container – without which they simply will not accept the work order. In addition, truckers are seeking blanket authorization for all ancillary charges associated with the delays. With vessel cut-offs and departure dates changing constantly, we are experiencing significant increases in chassis fees, detention charges, drop-off charges, storage charges and waiting time. Almost every one of our export shipments since December has had a shifted cut-off, ERD, and/or vessel departure. In many of these cases truckers have been stuck with fully loaded export containers waiting to get into the terminals. Truckers simply will not handle the shipment unless they are protected from all these additional charges in writing and in advance. We are seeking the same.

**East Coast and Houston All Water Space Situation:** Demand for east coast space is extremely high as exporters try to avoid the west coast. 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 in October due to their winter scheduling program which is in place through the spring.

**General Rate Increase:** Transpacific Carriers have announced another GRI to go into effect February 1, 2015 at the following amounts: \$80/20', \$100/40', \$100/HQ.

**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, WTSA carriers have imposed a Low Sulfur Fuel Surcharge at the following levels on both contract (NSA) and non-contract rate levels (the below reflects US to Asia trade only):

From/Via US West Coast:	\$38/20', \$47/40', \$47/HQ
From/Via US East and Gulf Coast:	\$76/20', \$95/40', \$95/HQ

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 through whichever gateway we can, 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. Until that happens, we are 100% committed to getting through this with you - as your partner.

We thank you for your continued support.