



The American Companies

"News Flash"

March 24, 2010

Transpacific Ocean Rate Overview

As reported in our March 11th News Flash, the Transpacific market has seen a mix of space constraints and rate volatility the past few months as a result of significant losses by the carriers in 2009 and the need for immediate revenue recovery. Estimates with regards to worldwide loss by the carriers in 2009 accumulate to as high as \$20 billion.

It was announced earlier this week by the member carriers of the Transpacific Stabilization Agreement (TSA), that there will be pressure on the shipping community during this years contract negotiations (traditionally implemented May 1st) to increase rates quickly. This is in efforts to get back to levels of proper operating constraints and of course profitability. It is hopeful that with the increases and projected cargo growth in the range of 6 to 8 percent for 2010 that some balance will return in the marketplace and future decisions on adding capacity and service expansion can be considered for the long term. This of course is an issue of uncertainty while conditions remain below sustainable levels.

The hopes of TSA during the upcoming negotiations will be to increase rates by \$800 per 40' container to the West Coast and as high as \$1000 / 40' container to the East Coast, Gulf Coast regions via all-water services as well interior points via intermodal services. This will help restore the rates back to levels seen during the later part of 2008, which even then were considered to be less than compensatory.

Please also allow this news flash to serve as a reminder of the upcoming BAF increases by the carriers on/after April 1st as we approach the second quarter for those carriers that are adjusting on a quarterly basis as well as those that continue to review this fluctuating surcharge month to month. In the meantime and as suggested before, The American Companies suggests you continue the following during such volatile times:

- Book your shipments (both inbound and outbound) as soon as possible, perhaps increasing your lead time. American International Cargo maintains multiple service contracts which will also provide for some flexibility and choices at anytime that space availability, equipment, service and pricing becomes an obstacle in the course of handling your shipments.
- The concept of "Slow Steaming" is being implemented by several carriers in an effort to save on (bunker) fuel, and slow down the speed of the vessel which in turn will increase transit times as a result. This again will require reaction to accommodate for longer transits and increase lead times.

We at The American Companies would like assure you that we are taking all efforts possible and maintaining our strong relationships with the carriers in efforts to protect your best interest and keep your shipments flowing smoothly within the logistics pipeline. This, together with the focus on many compliance initiatives that have also been implemented over the past year within the industry, put us in a position of working closely with our clients in efforts to guide them through these times and enforcing our responsibility of handling your business with "reasonable care."

We will keep you advised on all further developments as they arise. In the meantime, if you have any questions, please feel free to contact your sales representative or local handling office for assistance.

Sincerely,

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