

# TSA

Transpacific Stabilization Agreement

Contact: Niels Erich

**T:** (415) 543-6048 **F:** (415) 358-4540 **E:** nerich@pacbell.net

## **FOR IMMEDIATE RELEASE**

### **TRANSPACIFIC CARRIERS ADOPT FLOATING INLAND FUEL SURCHARGE**

*Container lines use established diesel fuel index, methodologies to recover intermodal rail and truck increases.*

**Oakland, California / July 14, 2005** – Container shipping lines operating from Asia to the U.S., hit by an ongoing wave of increasing inland fuel surcharges and rates from intermodal rail and truck partners, have developed a simplified, comprehensive inland fuel surcharge to recover a portion of those costs from the customer base.

Effective August 15, 2005, member lines in the Transpacific Stabilization Agreement (TSA) say they intend to assess inland fuel surcharges of \$137 per container for minilandbridge and inland point intermodal shipments, and \$40 per container for local and regional “Group 4” truck transport within California, Oregon and Washington, and for East Coast local store-door truck moves.

The new surcharge will “float” in accordance with fluctuations to the U.S. Department of Energy (DOE) National Diesel Price Index, using the Class 1 railroad historic baseline fuel price and tiers to trigger adjustments. The surcharge will be adjusted on a quarterly basis – on January 1, April 1, July 1 and October 1 – to accurately reflect fuel price trends. Since the beginning of 2005, DOE reports that the per-gallon diesel fuel price has risen about 23%, from \$1.96 to \$2.41. Class 1 railroads, along with long-haul and regional trucking firms, have been imposing and increasing fuel surcharges to recover these costs since the beginning of 2005.

“Ocean carriers face a range of new charges from railroads and trucking companies, aimed at addressing higher diesel fuel prices in the market,” says TSA Executive Director Albert A. Pierce. Most have been introduced since the latest round of transpacific service contract negotiations concluded and the associated costs, while expected, were not fully known at the time or factored into carriers’ 2005-06 cost recovery plans.” Pierce adds that the challenge for TSA lines has been to develop a simple, comprehensive surcharge that adequately recovers costs.

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Research conducted by TSA into the fuel charge methodologies of rail, truck and intermodal marketing companies, in some cases using their web sites, revealed strong similarities which in turn produced comparable results. All tend to start with a baseline historic diesel fuel price of \$1.239 per gallon, use the DOE Index to track fuel prices, and translate each fluctuation of 4 cents in average fuel prices to a 0.5% adjustment in the charge. TSA applied the same methodologies to its members' average fuel costs per container. It then adopted distinct surcharges for shorter-haul local and regional store-door trucking, as well as for inland-point and cross-country moves.

“It was determined early on that the lines would not reinvent methodology or complicate the process by extending recovery to areas such as empty equipment repositioning, which entails significant costs.” Pierce explains. “So to an extent we’ve sacrificed full cost recovery, in the interest of a simpler and a more comprehensive approach.”

TSA is a voluntary discussion and research forum of 13 major container shipping lines serving the trade from Asia to ports and inland points in the U.S. More information on TSA, including current and scheduled guideline rates and charges, can be found at [www.tsacarriers.org](http://www.tsacarriers.org).

TSA members include:

American President Lines, Ltd.	Kawasaki Kisen Kaisha, Ltd. (K Line)
CMA CGM	Mitsui O.S.K. Lines, Ltd.
COSCO Container Lines, Ltd.	Nippon Yusen Kaisha (N.Y.K. Line)
Evergreen Marine Corp. (Taiwan), Ltd.	Orient Overseas Container Line, Inc.
Hanjin Shipping Co., Ltd.	P&O Nedlloyd Ltd./B.V.
Hapag Lloyd Container Linie	Yangming Marine Transport Corp.
Hyundai Merchant Marine Co., Ltd.	

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