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## Pacific Carriers Call for 'Emergency' Rate Hike



*Jan. 15 interim boost of \$400 to be followed by \$1,000 jump in April*

Shipping lines in the eastbound Pacific will attempt to increase their freight rates by \$400 per 40-foot container on Jan. 15 as an interim step toward a larger rate increase to take effect when carriers and their customers negotiate their 2010-11 service contracts next spring.

This unusual "emergency revenue program" announced by the Transpacific Stabilization Agreement is designed to reverse the trend of declining freight rates that will result in ocean carriers losing an estimated \$20 billion in their global operations in 2009.

The significant drop in freight rates this past year was due to a decline of almost 20 percent in U.S. imports from Asia and a significant over-capacity overhang as carriers took delivery of dozens of new vessels, many of which were mega-ships of 8,000 to 12,000-TEU capacity.

Carriers "cannot afford to carry current rates forward another six months until the new round of 2010-11 contracts is signed," TSA said in a press release.

TSA on Oct. 6 announced that in service contract negotiations next spring, its members will seek to increase freight rates by \$800 per FEU to the West Coast and \$1,000 per FEU to the East Coast. Intermodal shipments moving by rail to interior destinations would also be increased by \$1,000. Negotiations normally take place in March and April, with the new service contract rates taking effect on May 1.

Although TSA represents carriers that control about 90 percent of U.S. containerized imports from Asia, the discussion agreement has no enforcement powers. Its guidelines are voluntary.

Ron Widdows, TSA chairman and chief executive of the NOL Group, said the interim rate increase on Jan. 15 would help carriers avoid more drastic measures such as aggressively consolidating or reducing the number of trans-Pacific services that they offer.

"We're looking at the emergency revenue charge as a bridge to get carriers through the first half of 2010, recognizing that the current rate levels do not adequately cover the cost of operating assets in the trade," added Jack Yen, president of Evergreen Marine Corp.

TSA members also intend to implement a floating bunker charge of \$348 per FEU to the West Coast and \$689 per FEU to the East and Gulf coasts effective Jan. 1 and lasting for the duration of the first quarter of 2010.

Marine fuel prices have increased 81 percent in 2009, adding \$520,000 to the cost of a single voyage from Asia to the West Coast and \$720,000 to the East Coast, TSA said.

Also, TSA said it will amend its agreement on file with the Federal Maritime Commission to allow member lines authority to discuss slow-steaming of vessels and other environmental initiatives that will enable carriers to reduce diesel emissions as well as operating costs.

The emergency revenue program's proposed rate increases for all container sizes are: \$320 per 20-foot container, \$400 per-FEU, \$450 per high-cube FEU and \$505 per 45-foot container.

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Container Lines   Maritime   Asia   United States

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