

THE TRANSPORT ADVISOR



Unintended Consequences

There was a show hosted by Ira Glass entitled "This American Life" in which he discussed issues of the day. In an episode entitled "Pandora's Box," he talked to several people who had fallen victim to the issue of unintended consequences.

He first speaks with two scientists who discovered that there is one chemical responsible for memory. In experiments where they remove this chemical, the memories of the animals being tested are erased. When they introduce their findings to the New England Journal of Medicine, they find themselves being bombarded with letters from individuals wanting their memories erased to escape the suffering caused by traumatic events that plague their lives.

FALLING RATES

In watching the show, one wonders whether there isn't an element of unintended consequence affecting shipping rates globally. Everyone agrees that freight rates are driven by supply and demand, and currently the supply side has been driven wholly out of proportion to the demand side. It may also be true that the public's perception, influenced by the likes of Amazon and other on-line retailers who publicize free shipping, is cause for some of this disproportion. ...*Continued on Page 2*

WHEN WAS THE LAST TIME YOU ASSESSED YOUR NEEDS?

Every business owner knows that savings can come from the most astounding places and many times they can be produced by working smarter and more effectively. Here are some questions that may help you assess whether you are getting the best out of your operation.

- 1) Is the money I'm paying for compliance, actively helping to make my business more efficient?
- 2) Can we avoid replication of information and avoid errors?
- 3) Has the organization done everything within budget to make us a better operation?

Let us help you answer these questions and show you the hidden savings of efficiency.



SPOT MARKET TRENDS

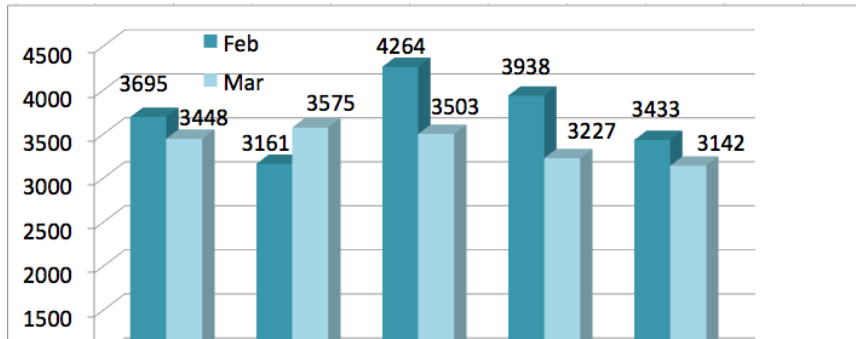
The first chart on page 2 shows the average daily filing on 40' equipment in various trades in the first week of February versus the first week of March. It should be noted that February 29 is reflected in the first week of March numbers as it fell on a Monday.

The second chart on page 2 shows a continued reduction in rates in the Central America to North America market commencing in the start of February 2016. This reduction is a consequence of the announcement of further bunker reductions, which came into effect on or around Feb 1. It should be understood any mitigation of the reduction would be caused by rates, which included bunker.

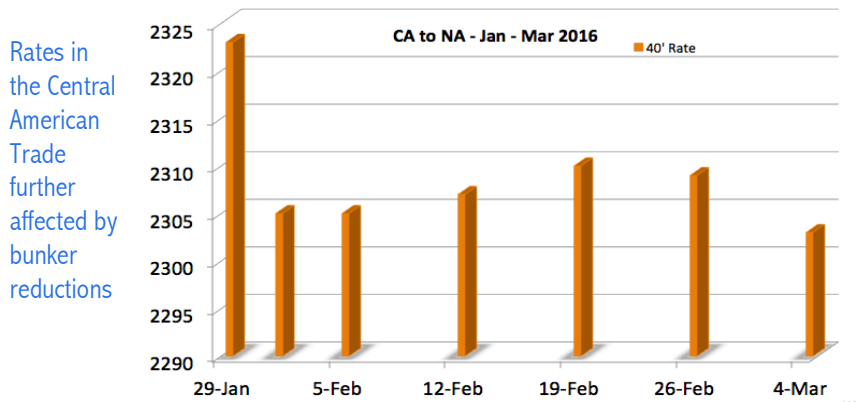
The third chart depicts the Asia to North America 40' container rate levels inclusive of all surcharges and combines the NVOCC and VOCC spot market rates from Jan 1 through to Mar 4 on a weekly basis.

All three indicators are evidence of the diminishing rates in all sectors of the market.

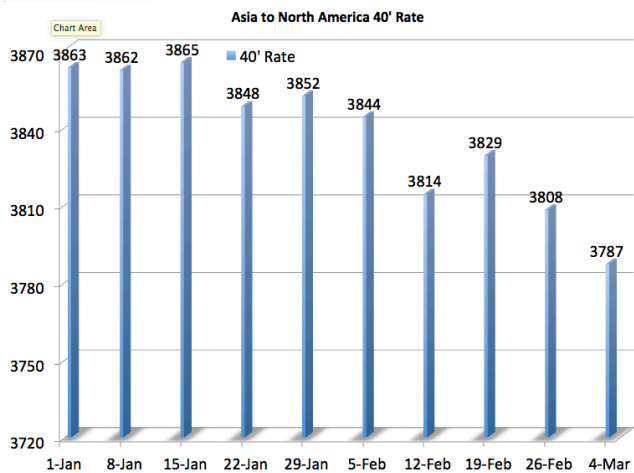
We appreciate your feedback. Please let us know if this information is useful to you and your business.



Comparative 40' container rates first week of February versus first week of March.



Rates in the Central American Trade further affected by bunker reductions



Asia to North America spot market rates VOCC and NVOCC combined

Consequences - continued

The holiday advertisements of these online retailers run amok with free shipping notices that devalue the service to the point of assessing no value. By attributing no value to a service, the public's (and we all are members of the public) perception shifts to believing there is no cost. And it is those perceptions that are driving rates to the point of no financial return for service.

In a luncheon discussion with a customer several weeks ago, the level of rates on the US West Coast to Asia service became a topic of review, and it was noted that some commodities are moving for as low as \$100 per 40-foot container. In other words, if the container is moving a typical load of 40,000 pounds of cargo, the customer's rate of service is .0025 cents per pound. That's right; on a per pound basis this is fundamentally free.

Perhaps the industry should spend time either turning around the public's perception or enlisting the scientists to help eliminate all memory of these "no-value" freight rates. In either case, something needs to be done.