GLOBAL MARITIME TRANSPORTATION SERVICES MAY 2017

# THE TRANSPORT ADVISOR

Global Maritime Transportation Services

## Phantom Bookings

Earlier this month, the Wall Street Journal reported on the issue of non-fulfillment on the part of retailers during peak periods, and the difficulties this trend has caused for companies such as FedEx and UPS. In an attempt to preserve revenue during ever more important peak periods, these transportation titans have struggled to find ways to mitigate the losses associated with non-fulfillment.

UPS has opted to charge retailers for poor forecasting in regards to not only the number of packages being shipped, but also the approximate size of boxes, which can translate to lost space and revenue.

Alternatively, FedEx has attempted to recoup their costs by increasing their rates during peak periods. FedEx has already experienced backlash from retailers for the increases in their rates, but it remains to be seen how either company's solution will play out in the long term.

**It's Not Only The Couriers**

The Wall Street Journal isn't the only entity that has been watching this unfold closely. The issue of non-fulfillment is one experienced across many industries, and the potential solutions to the problem are of particular interest to those in the liner shipping industry.

A "phantom booking" refers to a booking made by cargo interests with multiple carriers that ultimately does not materialize. Phantom bookings historically occurred during peak periods when space was tight and shippers feared being shut out or rolled. The result was carriers were able to charge higher freight rates through assessing a peak season surcharge. Today phantom bookings happen on a regular basis whether it is peak or slack season, with these no-shows proving to be costly with carriers not having a way of recovering the lost revenue.

What sets the predicament faced by ocean carriers apart from that of UPS or FedEx is the fact that there is a mechanism in service contracts that allows carriers to impose penalties for underperformance. In practice, however, ocean carriers rarely implement penalties, instead opting to amend contracts to forgive such incidents. *Continued on page 2…*

## SPOT MARKET TRENDS

The following rates as shown in the chart on page 2 reflect the minimum, maximum and average rates for the specified equipment and basis.

The minimum 40' container rate was for $225.00 and covered a move from New York, NY. to Genoa, Italy.

The maximum 40' container rate was for $15,175.00 and covered a move from Jacksonville, Fl. to Fort de France, Martinique.

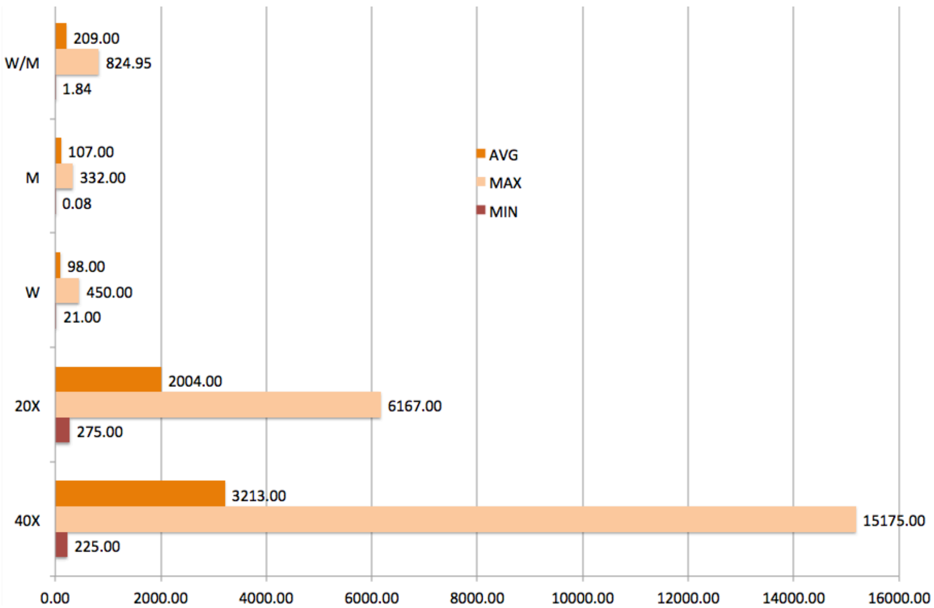
The average 40' container rate filed in the month was $3213.00

The minimum 20' container rate was for $275.00 and covered a move from San Juan, PR to Jacksonville, Fl.

The maximum 20' container rate was for $6,167.00 and covered a move from Kent, WA to Hamilton, Bermuda.

The average 40' container rate filed in the month was $2004.00

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




Helpful Hints -

Definition of FORCE MAJEURE

*1*: superior or irresistible force

*2*: an event or effect that cannot be reasonably anticipated or controlled — compare ACT OF GOD

*3: Force majeure* translates literally from French as *superior force*. In English, the term is often used in line with its literal French meaning, but it has other uses as well, including one that has roots in a principle of French law. In business circles, "force majeure" describes those uncontrollable events (such as war, labor stoppages, or extreme weather) that are not the fault of any party and that make it difficult or impossible to carry out normal business. A company may insert a force majeure clause into a contract to absolve itself from liability in the event it cannot fulfill the terms of a contract (or if attempting to do so will result in loss or damage of goods) for reasons beyond its control.

Source: https://www.merriam-webster.com/dictionary/force%20majeure

## Phantom - continued

The difference between the liner industry and couriers does not end at service contracts. Ocean carriers and customers have long bandied about the importance of relationships in the liner industry relative to other businesses, touting the fact that a healthy working relationship is often more important than pricing. If this is true, however, how can we account for the fact that carriers are repeatedly asked to eat the cost of mistakes made on the behalf of customers?

If a carrier has lost money due to inadequate performance by their customer, do they not have a right to recoup the cost? The same is true of customers. If a carrier fails to provide a service outlined in the contract, shouldn't the customer reserve the right to recoup their costs?

In business as in life, healthy relationships are built on a foundation of communication, compromise, and accountability. If our industry is truly built on a foundation of relationships, we should count on these partnerships to further the understanding that a mutually beneficial working relationship requires just a little more culpability.

NOTE: You can now follow us on Facebook, LinkedIn and Twitter.

210 N. University Drive
Suite 400
Coral Springs, FL 33071
Tel: 954-340-8886

www.globemar.com

120 Graham Way
Suite 170
Shelburne, VT 05482
Tel: 802-383-1689