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Auckland 29th May 2018

SPECIAL ADVISORY – SHIPPING LINE INTERNATIONAL SURCHARGES and LOCAL/NATIONAL TRANSPORT FUEL COSTS

Most shipping lines serving New Zealand, both inbound and outbound – in response to escalating bunker (oil) prices - have given notice of “emergency fuel surcharges”.

The price of IFO 380 bunker fuel in Rotterdam reached US\$443 per tonne last week, with Brent crude oil hovering around US\$80 a barrel — the highest since 2014. This equates to a more than 30% increase this year, and almost 70% since June last year.

Lines say the situation is no longer sustainable without emergency action.

Slow steaming to save costs is currently being employed, but has reached maximum possible use in most trade lanes.

The surcharges are being declared as variants of EBS (emergency bunker surcharge), EBR (emergency bunker recovery), ERA (emergency rate adjustment), and other similar acronyms. The effective date for these changes will be, in the main - **1 June 2018** – origin port shipment date. The surcharges will be shown separately from ocean freight rates.

The quantum for FCLs will generally be in the range between - US\$50 per 20’ container, and \$100 per 40’ container – to US\$75 per 20’ container and \$150 per 40’ container.

The surcharges will apply to both tariff and contractual ocean rates, and apply to imports and exports.

LCL rates are likely to rise between US\$3 and \$5 per weight/measure in all trades.

Lines have further advised that these fuel surcharges **will be reviewed monthly**.

FAF / FSC Fuel Surcharges

We are being advised by multiple domestic transport operators, due to the increase cost of fuel at the pumps all local carriers & line haul operators have advised of increasing FAF (fuel adjustment factor).

Unfortunately this increase will follow through on our invoices as a 12% FAF from 1st June 2018.

The effect of fuel increases impacts as higher round trip costs, which is particularly evident in Auckland, due to almost daily congestion bordering on gridlock. It is now almost impossible to travel across Auckland city in less than 2 hours during weekdays.

We ask for our Auckland clients' understanding of this special situation when requesting urgent deliveries.

If you have any questions on the above issues – please contact (group email address) or your account manager.

Thanks for your understanding.