**RSO Price Fluctuations**

The below piece provides a short explanation of worldwide shipping price fluctuation. Shipping rates are often nearly impossible to forecast with any degree of certainty hence creating difficulty in creating worldwide published pricing that does not require constant revision.

**Economic Example:**

Recession-

During recession large carriers such as Maersk, MSC, Hapag LIoyd etc. decreased usage of many containerised vessels. Some vessels were converted into LPG bulk carriers as crude oil prices soared. As the capability of the shipping lines declined, sea lanes and routes were amended with many ports that were previously served being dropped from routes. This had the combined effect of increasing rates in year one of the recession by 55%.

As stability has slowly crept back in to the economy, the shipping lines are again introducing new, larger vessels to absorb the available freight. However, it has not yet reached the stage where any useful momentum in reducing freight rates has been achieved. This is largely due to the high price of crude oil which is keeping costs high for the shipping lines.

At the start of the global trading difficulties in late 2007, freight rates were honoured for a period of 90 days.

Currency Fluctuation-

The continual wide scale fluctuation in currencies remains a de stabilising feature of all freight rates.

**Regulatory Example:**

Increase in costs as a result of U.S. federal authorities and maritime agencies demanding higher degrees of environmental protection.

**Resource Examples:**

Oil-

The high price of crude oil keeps costs high for the shipping lines.

Haulage-

During the period of difficulty, now in year three, the number of Hauliers being used by the shipping lines has also declined, thus with less availability the dock haulage element of shipping containers has risen. A rate was obtained today (15.4.11) for the movement of 40ft containers ex Liverpool to Preston. This has risen from £161 in January 2011 to £235 today, because of the affect of fuel surcharge (£45.33).

**Every six months there is a new legitimate reason for significant change in rates (wars, economy, strikes etc). For example, a rate obtained today (15.4.11) from MSC is valid until 31.4.11 only!**

Continued uncertainty makes it very difficult to provide rates which vary on an almost daily basis. It is also important to remember that this pattern is cyclical and rates will eventually begin to drop. It is equally important that rates are not held too high for too long, therefore constant revision is required.

Indication of recent fluctuations


Above based on information collected from five contractors currently working on the GRMS contract. Fluctuations shown for 2011 are first quarter only.