2013 ANNUAL REVIEW & OUTLOOK

WE HAVE THE ocean transportation industry's version of the "fiscal cliff" for 2013. There was a lot of bluster about higher ocean freight rates needed to offset carrier losses last year, but additional vessel capacity dampened any meaningful revenue improvements. The financial stability of many ocean carriers is even more precarious because there's still no new capacity coming into the market. The only change has been that the day of reckoning—the fiscal cliff—has been delayed until this year.

For 2013, shippers and carriers need to resolve to have meaningful discussions. Reducing financial losses isn't achieved simply by a one-shot freight increase of hundreds of dollars. Blindly increasing rates jeopardizes a carrier's retaining already-fragile cargo volumes, as the cargo either sails with lower-priced competitors or disappears altogether. Continuing to depress freight rates likewise does nothing to stem financial losses. These are the ingredients that have led to today's cliff.

Most shippers want to receive appropriate ocean transportation service at reasonable rates—not necessarily the lowest possible costs, but basically rates that guarantee an adequate supply of equipment and space to meet the cargo's needs.

The interdependence of shippers and carriers means they need to talk to each other. The goal is to achieve the right price to ensure that shippers' products continue to be relevant in their overseas markets, and to ensure long-term viability of efficient ocean transportation providers. Successful pricing means enduring partnerships between carriers and shippers. As imports and exports grow, successful pricing also helps to enhance an ocean carrier's financial health.

After four years of instability, supply chain interests want nothing more than a sense of balance, but new risks threaten to push them closer to the brink.

Just as with the more famous federal fiscal cliff, miscalculations with ocean transportation can lead to potentially devastating results. We need to talk to each other to reach reasonable solutions for stability.