Sent: October 21, 2008 5:09 PM **[From a Regular CIFFA Member]**
To: CIFFA Receptionist
Subject: Transpacific EB Trade Currency Adjustment Factor

To Whom It May Concern,

Subject: Eastbound Transpacific Trade

At approximately the same time last year, carriers in the Pacific Eastbound sought a way to offset increased costs due to the effects of the strengthening of the Canadian dollar. A formula was used by the CTSA, of which a copy was forwarded to CIFFA, and on January 1, 2008 officially a CAF of 12% was introduced on imports from Asia to Canada. At the onset of these discussions the Canadian dollar was above par (close to 1.07-1.10 range), and while certainly the implications were very clear, costs had increased for carriers, the calculation sheet used by CTSA carriers to exemplify cost impact and CAF calculations, could have very easily been questioned. Nonetheless, the CAF was effectively introduced as highlighted above.

Times change very quickly. At time of writing, our Canadian dollar is trading at approximately .82. Thus the Canadian dollar has lost in excess of 20% versus the U.S. dollar. The irony is that carriers have announced that effective November 1, 2008, the CAF factor will be 5%. Rather ironic that there is only a 7% basis point difference when in actual fact, and in my humble opinion, there is no justifiable reason to maintain a CAF factor to begin with.

We in the transport industry are extremely vocal about the issues we face, and not always factors externally imposed. I strongly believe this is now the time for us to listen, and perhaps take what has been explained above and now apply it to the customers we service. Again, we do maintain that carriers did in fact face costing increase pressure on the basis of the strong Canadian dollar in late '07 and through the first half of '08. Now, what is the import community facing? Challenges on credit line, increases in product costs, and now a Canadian dollar tumbling translating into increases in additional product cost of 20% or more. These factors are measurable, and if compounded by factors that are much more difficult to measure, such as stronger retail pressure on product pricing (this pertains to importers and distributors), uncertainty in product purchases, changes in purchase practices (delays in purchases/reduction in production windows), request for longer credit terms from some of the smaller retailers, and consumer uncertainty.

While our industry is certainly not in a position to spur demand, we certainly are in a position to ensure that the demand we do have is treated with respect and fairly dealt with. We are here because of our customers and we do have an obligation. The CAF factor was to be a stand alone charge to offset costs increases. The same no longer holds true, costs for carriers operating in U.S. dollars have now significantly reduced. It is time to make this charge OBSOLETE. This charge should rightfully be eliminated NOW. We need to speak out as an organization in very strong terms!!!

Respectfully,

CIFFA Regular Member