

Dear Customers:

2004 is shaping up to be a particularly trying year for international shipping. There are many factors contributing to the circumstances and I shall try to address them one by one. Having said this, I have accumulated over 300 pages dealing with the various issues so I shall take the editorial liberty of trying to keep this email as short as possible.

1.) DNC in Boston

Some of the main roads and arteries in and around Boston will be closed. Customs will move some of their operations from the Tip O'Neil Building to Falcon Terminal. This is not official but it would not come as a surprise if this may slow down things to some degree as far as customs is concerned. Overall we expect this to be a difficult week. All we can do is to pledge that we shall do everything in our power to keep freight moving to your door as good as we can.

2.) Delays

There are delays in many ports on both coasts of the US and Canada. Generally speaking it appears that most ports have simply not upgraded their facilities in terms of man (woman) power and infrastructure to cope with the steep increases in freight throughput seen this year. Many of them freely admit that they had been caught completely off guard and miscalculated the volumes seen this year. In addition railroads have miscalculated the volumes as well and are severely understaffed on all levels and lack sufficient locomotives and railcars. This in turn is leading to backlogs in the ports which complicate the accessibility of containers at terminals for the truckers meaning longer waiting times for them to pick up containers. As truckers are being paid per job and not by the hour, their ability to dray multiple containers per day has decreased. As a result their income has decreased as well. This is compounded by rising fuel cost which until recently employers refused to compensate. This in turn resulted in work stoppages by truck drivers which caused further delays and container pile ups at various ports. Miami saw the most severe impact with the port staying at a virtual standstill for days. A number of terminals in New York/New Jersey did not fair much better but seem to be digging themselves out at the moment.

Labor unrest at the ports of Long Beach/Los Angeles have brought terminals there to it's knees with up to 60 ships waiting to be allowed into the port to discharge their cargo and take on export freight. Currently delays of up to 2 weeks have been reported and experienced in those ports. As a result of the delays on the West Coast many importers along the East Coast have switched their freight to come by all water service (AWS) via the Panama Canal to the East Coast. The problem here is that only relatively small vessels can pass the Panama Canal resulting in these carriers now being hopelessly overbooked. The bottom line of all of this is that our infrastructure supporting imports over the Atlantic and Pacific is extremely stretched and fragile and most industry analysts predict this situation to remain unchanged for the better part of the year. The Peak Season from the Far East has just begun so that there really are no signs of much improvement over the coming months. I realize that these delays may further compound the delays experienced from factories in China which have to cope with power and water shut downs. In one sentence; it is a mess.

Hereunder please find a few specific cases as they appeared in the transportation press over the past 3 months:

Truckers Strike

JOC May 4, 2004 by Bill Mongelluzzo

"Conditions for truckers at the port of Oakland have turned chaotic as the few drivers working container terminals there are being forced to run a gauntlet of drivers protesting high fuel costs... Harbor truck drivers seeking higher fuel surcharges from carriers crippled the ports of Los Angeles and Long Beach on Friday, reducing truck traffic by 85%..."

JOC May 5, 2004 by Bill Mongelluzzo

"The protests by harbor truckers in California that slowed container terminal operations to a crawl could be spreading to ports in other parts of the country... Drivers all over the country are talking about taking action..."

JOC May 6, 2004 by Bill Mongelluzzo

"The strike spread today to the East Coast as independent truckers protested delays at the Port of Norfolk..."

JOC May 19, 2004 by William Armbruster

"Escalating fuel prices and growing congestion at marine terminals could prompt more trucker protests like the ones that rocked the West Coast, according to speakers at the JOC Trans-Atlantic Maritime Conference... The current economic model with drivers is probably not sustainable. Truckers are making practically nothing compared to the ILA and the ILWU, said Paul Heylman, a Washington based attorney specializing in waterfront labor..."

JOC June 28, 2004 by Joe Bonney, Rick Eyerdam, Bill Mongelluzzo and Janet Plume

Protesting truckers succeeded in reducing truck traffic in and out of marine terminals at the Port Newark/Elizabeth container complex Monday... Trucks were still moving, but operators said the flow was much lighter than usual, especially for a Monday... At the port of Miami, FL 140 truckers protested outside the entrance...

JOC June 29, 2004 by Peter T. Leach

" Donald P Hamm, president of Port Newark Container Terminals in New Jersey, said he expects that 70 - 80% of the truckers will be back at work today... On Monday, only about half of the usual number of truckers showed up at PNCT, resulting in the terminal being able to complete only 400 container moves, compared to 900 on a normal day..."

JOC July 1, 2004 by Rick Eyerdam

" Truckers strike shuts Port of Miami box handling... for the last two days including today we are effectively shut down with less than 20 containers moving each hour compared to the usual 1700 gate moves per day..."

JOC July 21, 2004 by Rick Eyerdam

"A strike by independent truckers continues to hamper container operations at the port of Miami..."

Port Congestion at Los Angeles/Long Beach

JOC June 30, 2004 by Bill Mongelluzzo

"Terminal operators at the ports of Los Angeles and Long Beach are bracing for a longshore labor shortage over the July 4 weekend that could set back operations at the nation's largest container complex by three or four days...The labor shortage comes amid intermodal rail delays and strike threats by harbor truckers even as container volume has grown by 10% this year as the peak season gets underway... Employers this year planned for five to six percent growth in container volume, but the growth has been almost twice that level... McKenna is meeting Thursday with employers in Los Angeles-Long Beach to work out a program to keep the terminals fluid until hundreds of new workers are signed up... The key in the short term will be to get longshoremen to make themselves available for work more often...As the work force ages and becomes more secure financially, an increasing number of longshoremen are choosing to work only three days or four days a week...As a result, the longshore hiring halls in recent weeks have not been able to fill all of the work orders employers have sent to them..."

JOC July 1, 2004 by Bill Mongelluzzo

The Los Angeles-Long Beach port complex, already burdened with longshore labor shortage and intermodal rail congestion, faces the possibility of a job action by clerical workers in the offices of steamship lines and terminal operators... the contract for the Office Clerical Unit of International Longshore and Warehouse Union 63

In Southern California expires at midnight Wednesday. Negotiations are reportedly far apart on the key issues of health care benefits and wages... Although the office clerical workers are part of the ILWU, they are not covered by the new coast wide longshore contract negotiated in late 2002..."

JOC July 2, 2004 by Bill Mongelluzzo

"The contract for hundreds of office clerical workers at steamship lines and marine terminal operators in Southern California expired at midnight Wednesday... The situation can be explosive because the ILWU office clerical workers could call a strike if their demands are not met...If they do, ILWU dockworkers would most certainly honor the picket lines and the Los Angeles-Long Beach port complex would be shut down..."

JOC July 21, 2004 by Bill Mongelluzzo

" Thousands of longshoremen returned to work at Los Angeles-Long Beach Tuesday after taking off for along July 4 holiday, with waterfront employers reporting that the ensuing backlog of vessels and cargo will last through next weekend..."

JOC July 22, 2004

"Ocean carriers continue to wrestle with delays amid a shortage of longshore labor at the port of LAX-LGB... On the day shift the PMA was short 34 gangs, leaving 12 ships idle at berth... Sources in Southern California said some ships have bypassed LA-Long Beach to offload cargo in Oakland. The containers are then moved by rail back to Los Angeles for intermodal transport into cities beyond Los Angeles (IPI/MLB)..."

JOC July 22, 204 by Bill Mongelluzzo

Waterfront employers and the ILWU put more than 1000 new longshoreman to work last week at the port of Los Angeles-Long Beach, but dozens of vessels remain backed up at the nation's largest container complex... The ILWU on Thursday is presenting to the PMA a proposal to immediately promote 2000 part-time longshoreman, known as casuals, to registered status. Also the plan calls for adding 11000 new casuals to the rolls within 8 weeks..."

Rail Problems on the West Coast

JOC May 5, 2004

"As service levels continue to deteriorate on the Union Pacific Railroad, the nation's largest shipper's organization has asked for - and received a face to face meeting with the railroad's top officials. The meeting comes amid growing criticism of the nation's largest rail carrier (UPR) by customers who say congestion is causing full day delays to intermodal shipments... The situation is all the more worrisome, many believe, because it is happening during the traditional slack season for trans-Pacific container trade..."

JOC May 6, 2004

"Canceling an express train contract with United Parcel Service (UPS) and increasing some shipping prices are among actions Union Pacific Railroad is taking to handle growing demand in the midst of a train crew shortage..."

JOC May 12, 2004

"Rail traffic hits five year high... On a combined cumulative-volume basis through 17 weeks, 15 reporting U.S. and Canadian railroads moved 6,806,592 carloads and 4,106,543 intermodal loads, a 3.9 percent and 6.4 percent increase, respectively, compared with last year...

JOC May 19, 2004

"Union Pacific to shippers: We don't know when delays will end... The logjams have been particularly acute in Southern California, where about one quarter of Union Pacific's freight either originates or ends up, **much of it import containers from Asia for inland destinations...** the slowdown probably will persist for the rest of 2004 given the time needed for the railroad to add crews and equipment... Industry observers said that the lack of guidance on the part of Union Pacific is hurting shipper's ability to plan for the peak season, amid fears that the surge of shipments from Asia will overwhelm the bottlenecked carrier...

JOC July 14, 2004 by Bill Mongelluzzo

"Union Pacific, BNSF hike intermodal rates... The increases come as importers continue to experience delays on rail lines and at intermodal transfer yards. Also, terminal operators in Los Angeles-Long Beach are beginning to complain that rail restrictions on tendering shipments, known as allotments, are causing containers to back up in the port complex... Through May containerized imports from Asia were about 10 percent higher than the year-ago period at West Coast ports... This is a difficult year for the railroads as they grapple with unexpectedly high cargo volumes and, in the case of UP, equipment and labor shortages... The Omaha based company earlier announced that it will initiate an allotment system in which it will limit how many intermodal containers it accepts each day from shipping lines...

JOC July 21, 2004

"More limits on Union Pacific freight... Union Pacific broadened volume restrictions in key corridors to accommodate unprecedented customer demand... The company said it handled more carloads in the second quarter than in any other quarter in its history and expects the growth to continue... In the past nine months, Union Pacific added 2500 trainmen, began training 700 conductors as engineers and bought 55 locomotives... The company said it expects another 1250 trainmen to complete training by the end of the third quarter...

JOC July 23, 2004 by Bill Mongelluzzo

"Also, western rail operator Burlington Northern Santa Fe in June began to suffer capacity problems; it later put all intermodal customers in LA-Long Beach on an allocation system, causing containers to back up on the docks...

JOC July 21, 2004

On the subject of the issue of railroads I thought you might find this of interest ..."Record backlog for railcar maker Greenbrier... A stronger U.S. economic recovery and the corresponding growth in railroad freight loadings continue to help fuel profitability for railcar builder The Greenbrier Cos... For the third quarter ended May 31, Greenbrier recorded revenue of US\$ 225 million, up 63 percent compared with the same period last year... Meanwhile, Greenbrier's new rail car manufacturing backlog in North America and Europe was at a month-end record 14300 units, or US\$ 840 million, on June 30, a 47.2 percent increase compared with the 9700 backlog, or US\$ 600 million, on May 31... Time to invest in Greenbrier?

Other related shipping news

The port of Montreal announced delays of 14 days due to a lack of trucks, drivers and trains...

The port of Boston announced an 11.9 percent increase of containerized cargo for the first 6 months ending on June 30th... This is good news for the port of Boston but mixed news for importers trying to use this service as space has become very tight...

Container traffic in China's southern port of Shenzhen (Yantian, Shekou and Chiwan) grew more than 32 percent in the first six months compared with the same period in 2003...

Ocean Carriers have announced that they are reducing the free time for in-bond shipments from 72 hours to 48 hours or from 3 working days to 2 working days. This policy change has been implemented in an effort to ensure that equipment moves through facilities with the least amount of delay...

I realize that all of us are flooded with an endless stream of emails and this almost 5 page monster of an email may be the last thing you have been hoping for never mind it's contents. However many of you will have to explain why freight does not arrive as fast as expected and I hope that this email will help to explain the fragile state that our national logistics structures are in. In addition to all of the above, the heightened security measures implemented after 9/11 have increased customs and FDA holds dramatically. All I can offer you is that Seajet and its partners are doing everything in our power to keep you informed and to keep your freight moving as fast as possible.

Despite of all of the above I wish you a good weekend and as always please do not shoot the messenger.

Best regards
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Most of you have already heard that the Democratic Party has chosen the City of Boston for its Democratic National Convention, which will be held from Monday, July 26th through Thursday, July 29th. During this time period, extraordinary security measures will be imposed on the City and its residents as well as all commuters and, last but not least, commercial truck traffic. Route 93, being the major highway into and through Boston will be completely shut-down every day for the hours of 04:00PM to 01:00AM to assure safety for the attendants of the DNC, which is being held in the Fleet Center, being directly adjacent to Route 93. For 4 days, we will be forced to deal with chaos because it is generally being anticipated that tens of thousands of people looking for alternate ways in and out of the city will cause traffic gridlock in Boston and its suburbs. We will do our best to expedite your goods as quickly as possible but due to these circumstances; we want to forewarn you, that delays will be inevitable.