

Dear Customers:

It has been since the end of last year that I have sent out the last lengthy issue of our SEAJET SHIPPING NEWS. Since then I have been gathering the various articles and as always much is going on.

Starting with the few good news I begin this email with a decrease in price:

Re: Trans-Pacific-Stabilization Agreement (TSA) - Imports from the Far East and Indian sub-continent to the USA and Canada - BAF

TSA has announced that the BAF (Bunker Adjustment Factor) = EBS (Emergency Bunker Surcharge) = Fuel Surcharge (FSC) has been reduced from:

US\$ 240/20' to 205/20'

US\$ 320/40' to 275/40'

US\$ 360/40'HQ to 310/40'HQ

US\$ 405/45' to 345/45'

The new fuel surcharges represent a reduction in cost of US\$ 35/20', 45/40', 50/40'HQ and 60/45' and will be effective on board dates of April 1 and thereafter.

Not wanting to spoil the party I would caution however that carriers will probably increase the BAF again effective on July 1, 2005 regardless of oil prices being up at that time or not as they obviously misjudged this situation by lowering the fuel charge while costs have actually gone up and all other carriers have increased fuel surcharges. Undoubtedly carriers will attempt recovering a lost opportunity at a later time.

Re: TSA - May 1, 2005 GRI

Despite the fact that ocean carriers have had record earnings for a number of years in a row now, they have advised the following rate hikes effective May 1, 2005:

US\$ 285/40' for containers terminating on the West Coast'

US\$ 350/40' for containers moving via West Coast ports onto destinations further East - Intermodal movements

US\$ 430/40' for All Water Service (AWS) to the East Coast via the Panama Canal

In addition, TSA announced that it will impose a Peak-Season-Surcharge (PSS) of US\$ 400.00/40' between June 15 and November 30.

Last but not least, TSA will increase the Panama Canal Surcharge (PCS) from US\$ 115 to 165 per container, also effective May 1, 2005.

As always, the GRIs have been announced but it will probably take until some time in May/June to see how they will play out. On the other hand, I am fairly sure that the PSS and PCS will be implemented as announced.

Re: TACA (Trans-Atlantic Conference Agreement - Northern Europe/USA) - BAF

After extending the BAF through 03/15 TACA has now increased the BAF as follows effective March 16, 2005:

Atlantic and Gulf ports:

20' from US\$ 161 to 211 (a US\$ 50/20' increase)

40' from US\$ 322 to 422 (a US\$ 100/40' increase)

West Coast ports:

20' from US\$ 242 to 317 (a US\$ 75 increase)

40' from US\$ 484 to 633 (a US\$ 149 increase)

Re: TACA April 1 GRI

TACA had earlier announced a GRI effective April 1 and another for July 1. They have now announced that both GRIs will be combined into one GRI effective April 1, 2005 which is scheduled to stay in effect until September 30. The increases are also less than previously announced for April 1 and they are as follows:

US\$ 120/20' and 160/40'. Talking to our offices in Northern Europe they all agree by saying that the final decision on these increases has not yet been made. This would mean that even smaller increases may be implemented or possibly even waived completely.

Re: FSC Truck Carriers

As the cost for fuel is on the rise again, truckers are reacting quickly by increasing their FSCs. The FSC is different from carrier to carrier.

Re: FSC for airfreight

As for the trucking industry, airlines have moved promptly to react to the most recent oil price rate hikes. For airfreight as well different rates apply based on trade lane and carrier. However the average lies between US\$ 0.36 and 0.50/kg.

Re: Reduction of Free Time at terminals and rail yards

Marine Terminals and rail yards have joined the ocean and air carriers in taking advantage of the current strong shipping markets and have come up with reducing free times at their premises and increasing the fees after free time has expired. This means that they have managed to make good revenue out of their inability to handle the increased traffic going through their facilities. Exact numbers are again different from company to company and city to city. However, the situation in New York should serve as a good example: Maher Terminals, one of the major cargo handlers in New York/New Jersey has announced the following effective March 15, 2005:

Free Time: 4 working days

1st 5 days in demurrage is US\$ 100 per day

Day 6 through 9 is US\$ 125 per day

Day 10 and thereafter is US\$ 245 per day.

Effective May 1 Maher Terminals will reduce free time from 4 days to 3 working days. All other New York/New Jersey terminals followed suit by reducing their free time and increasing their demurrage rates.

Not missing a beat, the railroads have taken up the idea and announced similar reductions of free days and increase in charges. Norfolk Southern for example has set the free time at day of arrival + 2 days. BNSF has different schedules but for the most part they also allow 2 free days after arrival and then charge US\$ 150 per day.

The irony of these increases is that it is exactly the terminals and rail yards that are causing the delays by not having enough equipment to handle the increases. However, not short of a good explanation, they reason that shorter free times and higher demurrage charges should give incentive to importers to arrange for quicker pick up times which should help to reduce congestion. As if an importer ever needed a reason to take quicker possession of his/her cargoes (which have been paid for in many cases)...

Re: Trucker's shortage

According to industry literature, the nation's truck fleet declined by 10% during the last 4 years. Part of the reason has been the congestion at terminals which delayed truck drivers and cut in the number of jobs they could do per day. Other reasons are the increased fuel prices for which many owner operators have not been compensated. At the same time the nation's truck fleet has been in decline, the

demand for truckers has grown as import and export traffic has increased year over year. Many truckers are refusing to take on additional business or simply cannot pick up with less than 3-5 days prior notice. Other truckers simply refuse to accept picking up containers from certain terminals.

Re: Overall outlook for 2005

To give an idea in addition to the above, here are some Journal of Commerce headlines:

- 03/11 - "Worries about LA congestion"
- 03/03 - "Terminals must boost throughput"
- 03/01 - "Growth demanding port solutions"
- 02/28 - "No let-up for West Coast ports"
- 02/09 - "Port delays expected to worsen"
- 02/08 - "New York to add 1,000 dock workers"
- 01/31 - "Carriers facing West coast terminal crunch"
- 01/28 - "Capacity crisis awaits U.S. box ports"

To sum it up in one sentence: Expect transportation costs to rise and service levels to decline! At the current rate of import growth in particular from the Far East, it simply does not appear that any of the terminals (sea port and inland) are in a position to improve their performance. There are a lot of discussions about expanding current port/terminal facilities but this is compromised by lack of space and environmental concerns. There is also talk about expanding gate hours during night times but this is going to be a tough sale to truckers who already have chosen to pick certain jobs and to refuse others. Unless truckers are willing to change to a night job, terminals open during night hours will accomplish little in reducing congestion if truckers do not take advantage of these extended hours. As far as I can see, there is nobody out there with the answers to all these problems and this will mean that things will most likely get worse before they get better.

Most of you have grown accustomed to my rosy outlook emails and all I can say again is please do not shoot the messenger. The infrastructure in the US has simply not grown along with the increase of imported cargo and the size of cargo vessels. The result of this is what we are going through right now. I appreciate that this is not good news for you who are in the business of importing goods from abroad. However I hope that realizing and understanding the challenges ahead may help you to plan for your business.

As always, if you have any questions or require additional information please do not hesitate to contact me at any time.

Best regards
Andreas

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