

Dear customer:

This Shipping Update is meant to give you an overall picture of what might be facing us this year in regards to imports in particular from the Far East.

Space from the Far East was extremely tight in April with many shippers trying to get cargo out prior to any possible GRIs and the week of holidays in China which started on May 1 and will go on until May 7. Overall shipping numbers are strong and initial increases have taken place. Generally speaking rates have gone up but so far it appears to be about US\$ 200.00 short of the announced US\$ 600.00/FEU. Also, both service contracts I have seen did not contain any bullet rates (commodity/city pair driven). This means that I expect rates to come further down over the next few weeks/months to possibly even pre May 1st levels. Two major Chinese carriers, COSCO and China Shipping Container Line are currently not available for further negotiations due to the Chinese holidays so that it is unlikely that other carriers will make any changes to their initial contracts. As soon as I have actual numbers I shall update you accordingly.

A very big concern this year that I have heard for months now over and over again is the lack of available steel! Apparently in large part due to China's unprecedented growth in manufacturing and construction, steel and other raw materials have become scarce which in turn increased cost sharply. This again makes it difficult to build containers and industry officials are predicting a shortage of available equipment (20' 40' 40'HQ) in main ports this year. This means that even if vessels have the available slots to accept bookings, they may not have sufficient container equipment to accommodate shippers. Some carriers have begun to shorten the free time in which containers must be picked up from the pier and returned. This is in an effort to shorten turn around times of equipment.

Another point of concern is the rail. Union Pacific and CP Rail both appear to have significantly underestimated the amount of traffic to be moved this year. In Vancouver the results were simply disastrous with containers being transferred to Seattle and other US ports resulting in delays of up to 3 weeks. Currently freight is still moving fairly quickly through Long Beach and Los Angeles but should volumes continue to grow as is expected delays could be the result. Compounding problems in Vancouver is a tug boat strike which further slows operations and makes a difficult situation even worse. In order to fix the situation both railroads will have to add a significant numbers of railcars, locomotives and employees who will require substantial training. This means that it will take some time for railroads to adjust to the sudden higher freight demands.

In addition there has been unrest from truckers in the Los Angeles and San Francisco areas as truckers protested the higher fuel expenses and the refusal from terminals to compensate them accordingly. As of this morning most truck drivers had reported back to work but terminals remained open all weekend to work off the backlog of cargo that had started to pile up. More protests have been announced.

On Thursday, union longshoremen walked off the job citing safety concerns after a propane tank exploded inside a container. However an arbitrator later ruled the protest illegal and ordered the longshoremen back to work.

On a good note, TACA (Trans-Atlantic) has not increased its pricing in April and by the looks of it will not try again until later in the year.

In ending one last comment in regards to emergency shipments out of the Northern region of China (as far South as Shanghai). If you find yourself in the position where you may have to fly large quantities of cargo because of production delays, we can now offer a sea/air product again which will still be very costly (but less than all air) and will likely be quicker than all air. This will only work for FCL 20' and or 40'/HQ. They way it works: We would position a container with your

supplier who would load the container and then ship it, from say Shanghai to Incheon, Korea. There the container will be trans-loaded for air transportation to the USA. The reason for the shorter transit time is that the allocations out of Korea are greater than out of China. This product will be available effective May 12, 2004.

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

Best regards
Andreas

Andreas Bauermeister
Executive Vice President
Voice (617) 884-0991 Ext.890
Personal Direct Fax Line (617) 887-7990
Email: andreas@seajet.com
Please visit us on the web at www.seajet.com