

Dear Customer:

Starting this issue of our beloved shipping news with some good news, it looks as though there might be some light at the end of the tunnel for ocean import freight through the ports of Los Angeles/Long Beach. In a recent article in the JoC (copy attached) reference is made that more work gangs are being deployed to work incoming vessels and the number of ships waiting outside the port complex at anchor are shrinking. Also, the railroad problems appear to be improving. In a recent article, UP is claiming that it moves all containers it receives thus no longer piling up containers at their yard facilities once they finally come out of the port complexes. Having said all this, it is still safe to assume that delays of about 3-5 days will remain the norm until at least the end of this month.

Staying with the issue of Far East inbound movements, the Transpacific Stabilization Agreement (TSA) has announced its plans for a General Rate Increase (GRI) starting with the new contract season in 2005 (May 1, 2005 - April 30, 2006). The TSA is a discussion agreement group and members in this group get together regularly to discuss any issues they desire including price setting. Ocean carriers have anti-trust immunity which allows them to set prices as a group. TSA has 13 members who control roughly about 90 percent of the market. In summary, the rate increases announced in a press release on October 29, 2004 in Seoul, Korea are as follows:

US\$ 285.00/40' for containers remaining at U.S. West Coast ports

US\$ 350.00 /40' for containers routed through West Coast ports but going beyond to Inland Points (IPI) or West Coast Ports (MLB).

US\$ 430.00/40' for containers routed through the Panama Canal and Suez Canal (AWS) and destined to U.S. East Coast ports for final destination or as trans-shipment port (RIPI).

Peak Season Surcharge (PSS) of US\$ 400.00/40' is scheduled to be effective from June 15, 2005 through November 30, 2005. This means that already now the TSA is suggesting extending the PSS by one month compared to this year.

Having said this, in the same press release the TSA suggested in a separate action to extend the PSS this year for all AWS moves until January 31, 2005. It comes as no big surprise that all members immediately adopted the suggestion meaning that the PSS for AWS has been in fact extended until that time.

A copy of the TSA press release is attached to this email.

All Water Service (AWS) has always been the lower priced alternative to route Far East cargo to the U.S. East Coast. The lower price came at the cost of slower transit times. However since the delays experienced on the West Coast and in Los Angeles/Long Beach in particular this year, AWS basically provided the same transit times as MLB services but at much lower cost. This meant that all East Coast importers started to switch from MLB to AWS whenever possible as there was no longer the advantage of faster transit times. In my opinion the carriers recognized this quickly which is why they are enforcing a premium on AWS right now and why the GRI is the highest for AWS. Many carriers are planning to increase their AWS

rotations however it needs to be seen how East Coast ports will be dealing with the increases in volumes in the years ahead. Personally I expect that the main East Coast ports and New York in particular will be ill equipped to handle large surges in container throughput as they struggle to handle current volumes.

One last thought on the above: Carriers have announced rate increases every single year for as long as I can think back which is longer than I'd like to admit. The rule of thumb is that such increases go through when the demand is strong and they go nowhere or in fact may turn into decreases when the demand is weak. At this point I see nothing that leads me to believe that the demand for container space will decrease next year. There will be a number of large new vessels (up to 8,000 TEU's) coming into the market but by most experts estimations the increase in container capacity will not make up for the increase of Far East import cargo expected next year. It is for that reason that I believe that it would be prudent to plan for freight increases when planning your own pricing for the coming year.

Canada / Northern Europe Service

Canada Maritime and CAST, the major carriers offering services between Europe and Canada and U.S. through its Canadian gateways in Montreal have announced the new IFP (Interim Fuel Participation Surcharge) as US\$ 219.00 per 20' effective December 1, 2004.

Canada / Mediterranean Service

Canada Maritime and CAST have also announced that the IFP will be increased to US\$ 240.00 per 20' effective December 1, 2004.

Hong Kong Air Freight Fuel Surcharge (FSC)

The Fuel Surcharge has reached a new high out of Hong Kong as it will climb to HK\$ 3.20/kg (US\$ 0.413/kg) effective November 16, 2004.

BNSF/Logistics Park Chicago

BNSF have announced that they are experiencing a severe backlog of inbound containers in its facility in Chicago (LPC). In order to bring the facility back to normal they have announced that "Effective Monday, November 8, through Sunday, November 14, BNSF is temporarily suspending all live lift activities of loaded containers at the terminal. Enclosed to this email is the announcement from BNSF/LPC. If you arrange for container pick ups with your own truckers, please forward the enclosed announcements to them so that they can proceed accordingly.

As always there is never a dull moment in the world of international shipping.

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

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