

Dear Customers:

In general, 2004 continues to be a tough year for imports by sea in particular. I shall update you on some new developments but thought I start out with some good news.

On October 5 the Senate removed more than two dozen amendments to the National Intelligence Reform Act, including proposals to increase cargo container inspections and to remove unclaimed containers from piers.

In a show of particularly bad understanding of the international shipping industry Senators Frank R. Lautenberg, D-NJ and Charles E. Schumer, D-NY proposed the following amendments:

Senator Frank R. Lautenberg had offered an amendment on the unclaimed containers. Under his proposal, containers that remained on the docks for seven (7) days and that held cargo not entered through Customs and Border Protection through an importer would be transferred to a general warehouse, customs examination station or public warehouse for inspection. The Department of Homeland Security would have been able to levy a \$ 5000.00 fine per bill of lading infraction.

Obviously this amendment completely ignored the reality of legitimate reasons as to why containers have not been entered into customs namely delays due to government examinations, inclement weather, labor disputes or shortages, port congestion, truck or chassis shortages, lack or loss of documents and other events out of the control of cargo interests, carriers, brokers and terminal operators. The amendment, had it passed, would have further suggested to remove containers from a secure port facility to be trucked through densely populated urban areas to warehouses adjacent to such populated areas. Last but not least, the idea completely ignored the reality that importers have all the incentive necessary to move containers onward in order to avoid Demurrage and Per Diem Charges levied by terminals and carriers and to take possession of merchandise that in many cases has been paid for and is subject to penalties from their customers if delivered late.

One of the amendments offered by Senator E. Schumer was to increase the physical inspection to 10% of all incoming maritime containers. It supported the notion raised by Senator Kerry in the recent presidential debate, that 95% of the containers entering the US are not inspected. Under this amendment Customs and Border Protection (CBP) would have been required to manually inspect a total of 910,000 containers per year. This would have represented an 80% increase in the overall manual + non-invasive inspection rate and a whopping 8,930% increase in the manual inspection rate. Had this amendment passed it would have shut down imports into the USA by sea. The amendment also completely ignored the 24 Hour Rule which enforces electronic data submission to US Customs of complete cargo manifests, 24 hours prior to such cargo being loaded on board a vessel at origin. This allows customs to target for examination of goods that pose a security threat.

The above two amendments resulted in an outburst of opposition from many members of the importing community and luckily both amendments were eventually defeated. However for about a week many of us were biting our nails hoping that common sense would prevail. In these two cases it did; for now.

Airfreight

Airfreight space has been very tight for some time, especially from Incheon, Korea but so far there were no sudden drastic spikes in freight space demand which has kept airfreight rates relatively stable and prevented long backlogs and sharp rate increases.

Fuel Surcharges (FSC) however continue to go up as oil prices keep rising. Fuel surcharges vary from carrier to carrier and trade lane to trade lane but in general the FSC average is between US\$ 0.31 and US\$ 0.40/kg.

There have been some articles in the Journal of Commerce saying that some shippers have diverted ocean containers to airfreight in order to meet Christmas season deadlines but as mentioned, so far airfreight is still moving relatively well.

Port and Rail Congestion

Delays due to port and rail congestion especially at Los Angeles/Los Angeles continue to be a problem despite the fact that thousands of new workers have been hired and equipment has been added. Sailing schedules have been compromised as carriers had to re-deploy and re-route vessels trying to cope with this situation. This has become a problem throughout all major ports in the USA and Canada. In an article in the Journal of Commerce last week, the US infrastructure has been cited as the biggest challenge to the China trade. China's containerized trade is expected to reach 100 million TEUs by the end of this decade, but American shipping executives say that the U.S. won't be able to handle it's share of that traffic without substantial improvements to the container supply chain.

In summary, all of the problems addressed in the Seajet Shipping News dated September 12, 2004 are still making life difficult and I don't know anybody seriously suggesting that things will change anytime soon.

BAF/EBS from the Far East

Far East Carriers have made good on their earlier announcement (see Seajet Shipping News 09/12/04) to raise the BAF (Bunker Adjustment Factor = Fuel Surcharge) as follows:

20' from \$ 175.00 to \$ 205.00 - 40' from \$ 230.00 to \$ 275.00 - 40'HQ from 260.00 to \$ 310.00 - 45' from \$ 290.00 to 345.00 effective October 1, 2004

General Rate Increase (GRI) from Europe (Hamburg - Le Havre range)

Some carriers have managed to increase their rates though in general below the announced levels. All carriers with whom Seajet and their agents have contracted have kept their old rate levels for the moment.

BAF/IPS from Europe (Hamburg - Le Havre range)

The European carriers will also increase the BAF (Bunker Surcharge = Fuel Surcharge) effective November 16, 2004 to the following levels:

Trans-Atlantic - 20' from \$ 160.00 to \$ 210.00 - 40' from \$ 320.00 to \$ 420.00
Trans-Atlantic-Pacific - 20 - \$ 315.00 - 40' - \$ 630.00

Europe/Los Angeles/Long Beach Port Congestion Charge

Carriers from Europe have announced a Congestion Surcharge of \$ 200.00/20' and \$ 400.00/40' for all water cargo going into the ports of Los Angeles and Long Beach effective November 15, 2004 until such time that the delays will disappear again.

Carrier Security Charge (CAS)

I have just received an announcement from COSCO saying that they have joined other carriers (see Seajet Shipping News 09/12/04) in applying a CAS of \$ 6.00 per container effective November 15, 2004. This is a charge meant to recover some of the expenses resulting from extra measures taken reacting to the increased port and vessel security demands made mandatory by the U.S.

There are endless other issues I could report on but I am aware that all the above is not exactly exciting reading so I will spare you. I do hope however that I have covered the main issues and that this email will assist in advising you of the most important issues at this time.

As always, please feel free to contact me if you have any questions or require additional information.

Thank you for your continued support and best regards
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