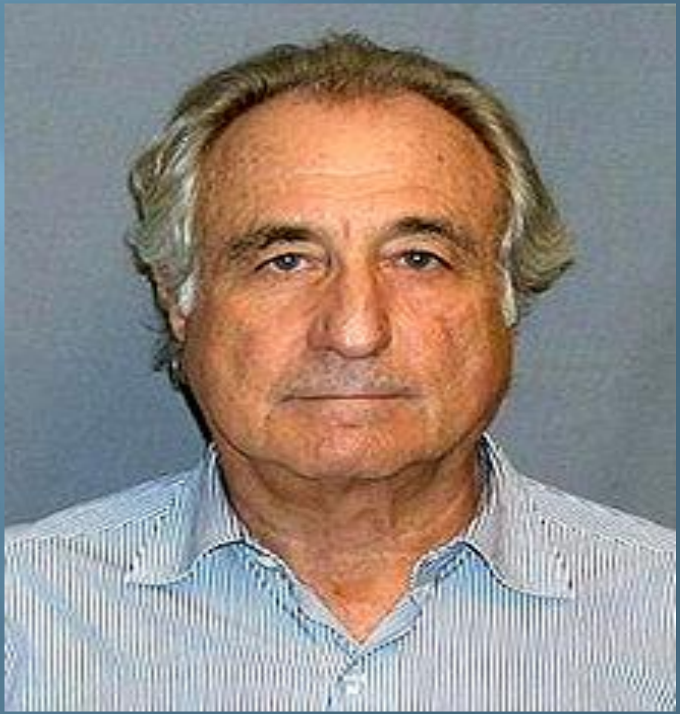
THE JOY OF SHIPPING

April 15, 2010

GEMINI SHIPPERS GROUP®

ECONOMIC WOES



MORTGAGE CRISIS, HOUSING MARKET COLLAPSE, POOR RETAIL FIGURES, UNEMPLOYMENT

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WHAT HAPPENED?

IMPORTS	JANUARY-DECEMBER			FEBRUARY		
	2008	2009	% CHANGE	2009	2010	% CHANGE
Port of Long Beach	3,189,363	2,534,897	-20.5%	149,299	207,920	39.3%
Port of Los Angeles	4,138,590	3,524,386	-14.8%	206,035	267,361	29.8%

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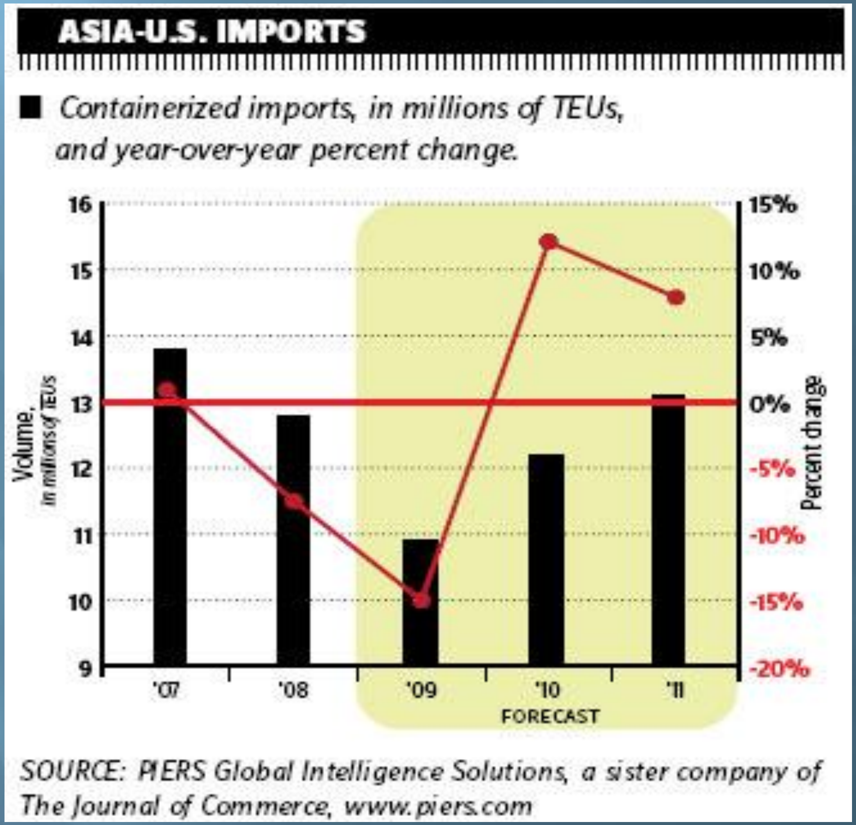
WHAT HAPPENED?



CARRIER RESPONSE – 1

- THANKSGIVING 2008 – BEGINNING OF RATE WARS
- RATE REDUCTIONS ESCALATED THROUGH 2009
- HOW LOW CAN YOU GO?
- IT'S ALL ABOUT MARKET SHARE

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CARRIER RESPONSE – 2

OOPS. WE MISCALCULATED AND LOST
$20 BILLION!!!!

OVER 10% GLOBAL CAPACITY REMOVED; BETWEEN 30 – 60% IN TRANS-PACIFIC; GRAND ALLIANCE REMOVED 67% OF CAPACITY FROM SHANGHAI/NINGBO/QINGDAO ORIGINS

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TIGHT SHIPS, HIGHER RATES

Tight Ships, Higher Rates

Capacity crunch will help ocean carriers keep pricing leverage on East Coast routes in 2006

Shippers hoping for a cascade of container capacity next year on ocean carrier services to the East Coast are in for a disappointment. Instead of a flood of new services and larger ships on existing routes, capacity growth is more likely to be just a trickle — at least for the first half of 2006.

With the global containership fleet expected to increase by 15.8 percent next year, according to a report by the European investment banking firm UBS, it would seem logical that carriers would shift a significant number of the ships currently deployed in the more lucrative trans-Pacific and Asia-Europe trades to East Coast services. But that's not likely to happen, especially on trans-Atlantic routes.

Instead, many of the smaller ships on the Asia-Europe and Asia-West Coast routes will stay there with others shifting to fast-growing trades such as the intra-Asia market. There will be some increase in all-water services through the Panama Canal and the Suez Canal, along with larger ships on some existing services.

The CKYH Alliance — consisting of Cosco, "K" Line, Yang Ming and Hanjin Shipping — for example, will be adding 600 TEUs of capacity per week on one of their four services from Asia. But most of the capacity growth is expected to occur in the third and fourth quarters.

As for the trans-Atlantic, don't look for any increase in vessel space. That's the view not only of the lines themselves, but also shipper and non-vessel-operating common carrier executives such as Tom DeMarino, international transportation manager for IKEA Wholesale, and Guido Wedemeyer of DHL Danzas.

The demand for container space on routes linking northern Europe and North America, however, is expected to grow, putting shipping lines in good position to get at least some of their planned rate increases, particularly on inbound routes.

"Trans-Atlantic rates are going up for sure," DeMarino said.

Seeking to take advantage of the tight ratio between supply and demand, the Trans-Atlantic Conference Agreement, which represents six major carriers, announced hefty increases in its tariff rates for 2006.

The conference said tariff rates for all containerized cargo, eastbound and westbound, will increase $160 per 20-foot container and $200 per 40-foot box Jan. 1.

"Trans-Atlantic rates are going up for sure."

Photo courtesy Dennis Brew/Maryland Port Administration

Moreover, the lines will increase rates for 20-foot boxes by $240 and for 40-foot containers by $300, effective April 1. TACA said it plans to raise tariff rates again July 1 and Oct. 1, and it will announce the amounts as those dates draw closer.

The lines said the increases are needed to restore eastbound rates to a viable level after a long period of decline and to compensate for rising costs.

Whether the lines will be able to get anything close to the increases in the tariff rates is questionable. Most trades are governed by service contracts, with the lines and shippers typically agreeing to much lower increases, if there are any at all. Or, as is typical, the lines will agree to reduce rates, depending on supply and demand.

The carriers have greater leverage on the inbound lanes from Europe because of the capacity crunch on those routes. But the weak dollar has finally begun to boost U.S. exports to Europe, with volume up 7.3 percent in the first half of 2005 compared with the same period in 2004.

Westbound trade grew 5.5 percent as U.S. demand more than offset the effect of the currency changes, which have raised the cost of European imports, while reducing prices paid in Europe for U.S. goods.

"Outbound is pretty buoyed at the moment. Space is tight," said Torsten Huffman, sales manager for Europe at The American Cos., an NVO, forwarder and broker. Still, rates on U.S. exports to Europe are fairly steady, he said.

But the lines will have more negotiating leverage in 2006. Capacity on the trans-Atlantic has fallen 5 percent this year, TACA said, and it predicts no growth in vessel space next year.

BY WILLIAM ARMBRUSTER

St. Lawrence Challenges Gulf

Two chiefs of St. Lawrence Seaway development are urging ocean carriers and shippers to dodge hurricane-damaged Gulf Coast ports and route cargo through the channel on the U.S.-Canada border. During a recent trade mission to Europe, Albert Jacquez, administrator of U.S. St. Lawrence Seaway Development, and Richard Corfe, president of Canada's St. Lawrence Seaway Management, said the Seaway is equipped to handle steel and grain shipments.

Freight rates in the waterway are now competitive with Gulf rates, they said.

"We anticipate additional cargo as a result of the logistical problems currently facing the Gulf ports, and want to apprise shippers of the opportunity to move cargo through the Seaway system," Jacquez told reporters. "Any increased demand can be met by the Seaway, its Seaway-size vessels and integrated tugs and barges."

The delegation outlined upgrades made to the Seaway locks to improve their reliability as well as new cargo incentives the system is offering.

NEW CHALLENGES!

- SLOW STEAMING – MAY ADD 1 – 5 DAYS TO TRANSIT TIME
- OVERBOOKING/ROLLS
- STAFF REDUCTIONS AT CARRIERS
- CONTINUATION OF TIGHT CAPACITY

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ISSUES AND MISCONCEPTIONS

- WHAT GOOD ARE LOW RATES?
- GEMINI DOES NOT INSTRUCT CARRIERS WHICH MEMBERS' FREIGHT SHOULD BE LOADED
- COMMUNICATION BETWEEN GEMINI AND ITS MEMBERS IS CONFIDENTIAL

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HOW TO IMPROVE THE SITUATION

- FORECAST! FORECAST! FORECAST!
- BOOK EARLY
- DO NOT DOUBLE BOOK
- LIMIT THE NUMBER OF CARRIERS AND HAVE FREQUENT MEETINGS OR CONVERSATONS WITH YOUR REGULAR CARRIERS
- COMMUNICATE WITH GEMINI N.Y. AND H.K.
- FORECAST! FORECAST! FORECAST!

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CONTRACT CHANGES

- CONTRACT SIGNINGS FOR 2010
- ADDITIONAL CARRIERS
- ADDITIONAL SPACE COMING BY MID-MAY
- WORK WITH MEMBERS AND CARRIERS - FEWER CARRIERS PER MEMBER, FEWER MEMBERS PER CARRIER = LESS HEADACHES FOR ALL
- GEMINI LCL PROGRAM

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THANK YOU FOR BEING A MEMBER!

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