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SEAINTEL MARITIME ANALYSIS

SIGNIFICANT DIFFERENCES IN CAF

Asia-Europe CAF price spread has more than doubled

SeaIntel Sunday Spotlight have previously analyzed the individual carrier BAF levels on the Asia-Europe trades and concluded that the BAF development is both 99% correlated between carriers as well as 99% correlated with developments in actual fuel prices.

But how about the Currency Adjustment Factor (CAF) which is supposedly serving a purpose similar to that of the BAF – keeping carriers risk neutral versus fluctuations in currency valuations?

Contrary to our findings concerning the BAF, the CAF varies significantly across carriers, and

does not always show equally strong correlation with actual currency movements.

Currently the carrier with the lowest Asia-Europe CAF charges 10.3% whereas the highest CAF is

terms the highest CAF is 62% more expensive than the lowest CAF. This is much more than we saw for the BAF levels, where the difference was 20% between the lowest and the highest levels.

Seen over time, and if MOL is kept out of the comparison, the spread between the lowest and highest CAF has consistently grown, and has more than doubled in the past 2 years. MOL has in this period priced their CAF at a level consistently higher than the other carriers.

As the CAF is usually applied to

62% DIFFERENCE IN CAF LEVELS ACROSS CARRIERS

the base rate but not the BAF, this makes current dollar-

amount of the CAF quite low, due to the presently very low freight rates. However, shippers should take note that when rates at some point in the future increase again, the price differential between different

THE EFFECTS OF DEREGULATION

As a consequence of deregulation in the EU, the conference system was abolished in the end of 2008. This resulted in carriers having to devise their own BAF and CAF formulas. We have previously demonstrated how the carrier BAF formulas, despite being independent, are all 99% correlated. This is not surprising as all carriers buy the same oil at the same prices. However this week's analysis shows a very different picture for the CAF formulas which are quite diverse indeed. This points in the direction that carriers have taken the new regulatory regime to heart and have devised own independent formulas. For the shippers, however, a key effect has been increased complexity and

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