

SUNDAY SPOTLIGHT

SEAINTEL MARITIME ANALYSIS

BAF INCREASES IN Q3 2011

Significant increases expected on Pacific – Maersk Line
BAF to increase significantly more than TSA carriers

The standard BAF (Bunker Adjustment Factor) being charged by most, but not all, carriers on the Transpacific trades is determined by the Transpacific Stabilization Agreement (TSA) formula. The BAF is adjusted quarterly based on actual bunker price developments 1-4 months back in time. The main carrier not using the TSA BAF formula is Maersk Line. Their formula results in a higher BAF compared to TSA carriers when bunker prices increase as much as they have over the past 6 months.

Next change in the BAF level will take place on 1 July 2011 based on bunker prices in the period March to May 2011. As can be

seen from figure 1, bunker prices have increased significantly compared to the previous

PEAK SEASON BAF TO
INCREASE UP TO 200
USD/FFE ON USWC AND
340 USD/FFE ON USEC

information combined with forward oil expectations for May 2011 to forecast the BAF increases expected for Q3 on the Transpacific trades.

With the information currently known about bunker changes, the TSA will increase the BAF by 120 USD/FFE, whereas Maersk Line will increase their BAF by 200 USD/FFE. Until now, shippers booking 40' High Cube containers with Maersk have had a slightly lower BAF than the TSA BAF, but that will change in Q3 with the Maersk Line expected BAF now being 48 USD higher per HC container than the TSA BAF.

Asia-Europe BAF increases up to 90 USD/FFE on June 1st but is not

expected to increase further.

Expectations for crude oil
In April the US

OPPORTUNITIES ABOUND IN THE MARKET

As has often been pointed out, the capacity order book is heavily skewed towards large tonnage. This makes cascading ever more important as a means of avoiding overcapacity in the main east-west trades and at the same time provide sufficient capacity growth in other trades. Currently it appears cascading is not happening sufficiently rapidly. The result has been declining east-west rates, while – as shown in this issue of the SeaIntel Sunday Spotlight - significant opportunities await in trades such as Europe to South and Central America as well as Sub Saharan Africa.

This file is a preview provided by [SeaIntel.com](http://SeaiIntel.com) for users who are not subscribers. Click on the link to view subscription options for SeaIntel Sunday Spotlight.
http://seaintel.com/index.php?option=com_virtuemart&view=productdetails&virtuemart_product_id=5