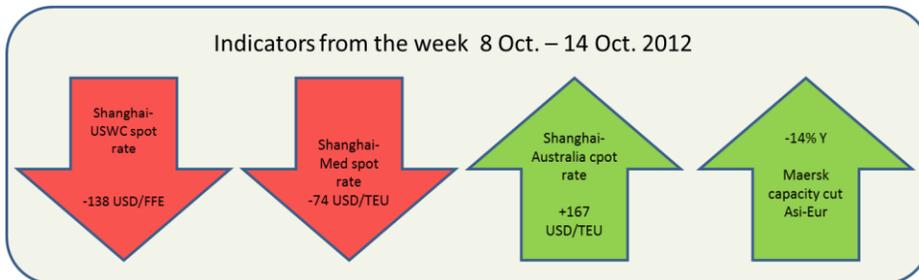


SUNDAY SPOTLIGHT

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SEAINTEL MARITIME ANALYSIS



Reliability from global vessels to the container at the country level:

Performance in Aug. 2012.

See page 16 for details.

IS ASI-EUR BAF OVER-COMPENSATORY?

Despite high correlation to fuel prices – the level of BAF indicate a disconnect to the premise of BAF itself

Let us jump to the conclusion of the question poised here today: Is BAF over-compensatory from Asia to Europe? The answer is both yes and no, depending on perspective.

If we view BAF as only part of the overall freight rate, then clearly freight rates are no longer compensatory on the Asia-Europe trade lane following the rate erosion in the past few months. And given that BAF is a very significant part of the freight rate, then it appears not to be compensatory.

However, if we view BAF strictly from its very definition – i.e. to compensate carriers from the effects of oil price changes – then we do indeed find that the formula is over-compensatory.

Many complicating factors play into the equation, such as trade imbalances, different vessel sizes, the difference between a vessel's nominal and actual carrying capacity, the carriers' inability to charge full floating BAF from all shippers etc. We have taken a simplistic approach, yet at the same time with an eye to the impact of these factors.

The data leads us to three primary conclusions: 1) BAF is over

As expected

Maersk Line – and de facto CMA CGM – announced capacity reductions for the Asia-Europe trade this week. This was in line with expectations. Rates continued to erode on the trade awaiting the November 1 implementation, as expected. Rates on the Pacific to USWC declined sharply – in line with expectations, as the carriers had not removed any capacity for the Golden Week holiday in China. We cannot help but wonder how the market can both be this predictable – and be very volatile and seemingly unmanageable at the same time.

Content

- 1...BAF compensation
- 7...NVOCC volumes
- 10...Jones Act

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