

RESPONSE TO THE  
FEDERAL MARITIME COMMISSION  
NOTICE OF INQUIRY  
SOLICITATION OF VIEWS ON THE IMPACT OF SLOW STEAMING

Responses for Kawasaki Kisen Kaisha, Ltd. to the Federal Maritime Commission Notice of Inquiry Solicitation of Views on the Impact of Slow Steaming

Questions Directed to Shippers

1. What does your company see as the advantages and disadvantages of slow steaming?

RESPONSE: Advantages: Bunker consumption savings from running at reduced speed vs. running one less vessel at standard service speed; greatly reduced CO2 and other greenhouse gas emissions.

Disadvantages: Increased fleet cost due to additional vessel cost required to maintain weekly service; increase of main engine maintenance & repair costs fleet-wide, possible shorter main engine life time; increased transit time.

2. What proportion of the ships your company operates in the U.S. trades slow steam? What proportion slow steam outbound from the United States? What proportion slow steam inbound to the United States? Please break this information down by trade lane.

RESPONSE: Trans Pacific inbound to the US: 3 services out of 3 currently operate below standard service speed.

Trans Pacific outbound from the US: 3 services out of 3 currently operate below standard service speed.

All Water inbound to the US: 1 service out of 1 currently operates below standard service speed.

All Water outbound from the US: 1 service out of 1 currently operates below standard service speed.

3. Do you have plans to increase or decrease slow steaming during 2011 and/or the years that follow?

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4. What factors help your company decide to slow steam any given service string? What factors cause your company to decide whether to slow steam in one direction only?

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5. In the past year, by how much (i.e., absolute amount and as a percent of the total) has your company reduced its bunker consumption, bunker fuel expenses, and carbon emissions as a result of slow steaming ships in U.S. ocean liner services?

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6. Do you make this information on fuel, cost, and emissions savings available and transparent to your customers? If not, do you have plans to, and what is your goal date? If not, why not?

RESPONSE: All such information has been informed transparently to customers when/if we are asked for it.

“K” Line issues a "Social and Environmental Report" annually, in which fuel consumption reduction and CO2 emission reduction are reported in detail, thus all this information is presented to the public. A sample is attached [http://www.kline.co.jp/corp/report\\_e.html](http://www.kline.co.jp/corp/report_e.html)

7. Do you offer shippers, over the same trade lane, different transit times by reason of slow steaming vs. normal steaming?

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8. Have you passed cost savings along to shippers through adjustments to any bunker surcharge formulas, or by lowering rates? If not, do you have plans to, and what is your goal date? If not, why not?

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All liner service customers benefit automatically from any liner operation cost savings because all savings enable "K" Line to continue to offer service in the liner market, by reduction of losses and in some years to contribution of a profit from liner services. Savings enhance "K" Line's competitive ability, thus enhancing the trade competition which is the overwhelming determinant of freight rate level. In short, all liner cost savings benefit the liner shipping public because they improve viability and competitiveness in the intensely competitive liner market.

9. Are there any costs incurred by the ships your company is slow steaming that would not accrue if they were operating at normal service speed and, if so, what are these costs and how significant are they?

RESPONSE: Yes. The weekly service must be maintained, which requires additional tonnage.

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10. What factors constrain your company's ability to slow steam more services or to further slow down ships that are already slow steaming (i.e., super-slow steaming)?

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11. How many vessels do you add to service loops that begin slow steaming for part or all of the loop? Are there instances where vessels are not added?

RESPONSE: 1 additional vessel for each service has been deployed respectively to “K” Line's operating Asia-US services.  
Total 4 vessels have been added for total 4 services.  
No service is operating without an additional vessel.

12. Is your company adding new vessels to your fleet to accommodate slow steaming?

RESPONSE: In 2010, 6 new building vessels have been delivered and deployed at our Asia-PSW service, which contributes to our flexibility.

13. Are new ship designs incorporating hull and propulsion engine innovations to better accommodate slow steaming?

RESPONSE: Yes.

14. How has slow steaming impacted your company's on time performance of sailing schedules?

RESPONSE: Major factors which may impact on time performance of sailing schedule are such as weather conditions at each port, sea and weather conditions on sea passage, sailing restrictions at each port (such as tidal restriction), and terminal congestion. Navigating speed itself does not obstruct or contribute to on time performance significantly.

15. Are some shipper accounts more affected by slow steaming than others? If so, please explain. What measures has your company taken to try to mitigate any adverse impact of slow steaming on specific shipper accounts?

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16. To what extent has slow steaming affected your company's ability to maintain or expand capacity in the U.S. trades and/or its ability to maintain adequate availability of containers at appropriate inland locations?

RESPONSE: There has been no effect or connection between “K” Line's policy on service capacity in the US trade and reduced speeds. Also no effect or connection between “K” Line's ability to maintain adequate availability of containers at appropriate inland locations and reduced steaming speed.  
“K” Line's service capacity is decided by long term company goals, market conditions as to cargo volume and freight rate levels, marketing strategy etc., and eventually profit and loss simulation.  
Container availability at inland locations in the US is determined by import cargo volume into respective inland locations, empty box relocation cost, freight rate level, cargo demand, etc., and eventually profit and loss simulation.

17. Do you believe slow steaming is sustainable over the long-run? Please explain why or why not.

RESPONSE: We understand that both relatively high oil / bunker fuel price and a general necessity to reduce greenhouse gas emission are here to stay, and will be an unavoidable basic premise to be incorporated into both carriers' and customers' business planning on a long term basis.

Based on this understanding, we consider it is unrealistic to anticipate navigating our vessels at full speed with increased consumption of expensive bunker fuel and with greatly increased greenhouse gas emissions. There is an element of social responsibility which both carriers and customers must consider, as well as any effect on carriers' competitiveness.

18. If your company participates in one or more vessel sharing arrangements (“VSAs”), describe whether and to what extent VSAs are positively or negatively impacted by slow steaming.

RESPONSE: “K” Line is a party to the CKYH VSA, which we call the "green alliance," together with COSCO Container lines, Hanjin Shipping and Yang Ming Lines. Any decision by lines regarding steaming speed is made by each operating line individually, and is not a matter for group discussion.

“K” Line does not see any impact on any VSA agreements, either positively or negatively, by slow steaming.

Respectfully Submitted,

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As Agents for Kawasaki Kisen Kaisha, Ltd.