

Questions Directed to Ocean Liner Carriers

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

First, slow steaming has resulted in Maersk Line reducing its vessel emissions, and benefitting the environment.

Second, with additional schedule buffers, Maersk Line is able to provide a more reliable vessel service and, as a result, Maersk Line customers benefit from the efficiencies of having greater certainty when their cargo will arrive.

Third, slow steaming generates cost savings as a result of reduced fuel costs. However, these cost savings vary depending upon the level of vessel time charter rates. Maersk Line has added an additional vessel to most vessel strings that slow steam to maintain the fixed weekly departure and capacity. When Maersk Line introduced slow steaming in late 2008, time charter rates were low, so the fuel cost savings outweighed the additional vessel costs at that time. However, as the time charter rates have increased (as example a time charter of a 4800 TEU panamax vessel has increased from approximately USD 8,000/day in January 2010 to USD 28,000/day in January 2011), the additional time charter costs have eroded fuel cost savings. Further, any cost savings accrued by reduced fuel consumption have enabled Maersk Line to sustain its service levels in many U.S. trades. Without such savings Maersk Line would not be able to obtain a sustainable return on investment, because currently freight rates lag cost increases in those trades.

Finally, slow steaming increases transit times, but the commercial benefit to most shippers of improved schedule reliability outweighs the effects of longer transit times.

These advantages and disadvantages are explained in greater detail below.

2. [Excluded]

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

Maersk Line has no present plans to increase or decrease the slow steaming percentages provided in Question 2. above on existing services. However, Maersk Line would consider modifying these plans for specific vessel strings based on a number of factors, including market conditions, environmental requirements and initiatives, customer needs, and the extent of Maersk Line's ability to receive adequate compensation for rising bunker costs. Also, if Maersk Line introduces new services, it will consider engaging in slow steaming on those new services.

Further, it is important to note that temporary and insignificant changes in bunker costs or time charter rates are not likely to result in changes to Maersk's slow steaming policies. Adjusting a network to such a magnitude is very difficult as berth windows need to match available berths. One reason why certain Maersk Line vessel strings have not shifted to slow steaming over the past few years is because it has not been feasible to secure the necessary berth at a different time compared to the current schedule for those vessel strings. Some ports have very high berth utilization (resulting from service to multiple ocean carriers) and changing berth windows is a major challenge. For example, Maersk Line has more than 20 weekly calls in Hong Kong and Shanghai and changing existing berth windows could impact the entire Maersk Line network serviced in those ports. As a result, once shifted to slow steaming, a vessel string is likely to continue slow steaming for a prolonged period of time.

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?

Maersk Line considers factors such as cost, revenue, service reliability and environmental impact when determining vessel speed. The most cost optimal solution would be to sail similar speeds in both directions. However, because of commercial issues, and to maintain a range of service options for shippers, Maersk operates some strings at higher speeds (although still slow steaming) in the direction that carries higher volumes and higher value cargo.

5. [Excluded]

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?*

The reductions in fuel consumption and related cost that Maersk Line has achieved through slow steaming have been discussed in various press reports.

In regards to emissions savings, Maersk Line provides certain clients with monthly information sheets on their carbon emissions or "CO2 footprint" resulting from shipping with Maersk Line. These customers have made environmental savings a factor in their ocean carrier selections, and have asked for information on Maersk Line's environmental initiatives. Currently, these CO2 scorecards only state the CO2 footprint of Maersk Line compared to the average in the ocean carrier industry in a particular year. In the near future, Maersk Line plans to also provide certain customers information on how much their CO2 footprint has improved from year to year while shipping with Maersk Line.

Maersk Line also is developing a carbon calculator which will allow customers to calculate their CO2 footprint and fuel consumption resulting from shipping with Maersk Line. This calculator will assist customers in budgeting for their carbon impacts in the future.

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

Maersk Line offers products with different service patterns in the same trade lane, but does not differentiate those products on the basis of slow steaming v. normal steaming. For example, the TP2 and TP 6 overlap to the extent both services call Hong Kong and Los Angeles, but the rotation and subsequent port calls offer different products to the customers and the transit times between Hong Kong/Los Angeles for the different services are not directly comparable. Also the loading day of the week is different. The Maersk Line network, with or without slow steaming, is therefore already designed to give different options of load dates and coverage to shippers leading to differences in transit times.

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?*

Shippers obtain the benefit of Maersk Line cost savings, whether obtained through slow steaming or other cost reduction measures, through negotiations of the various rates and charges to which they are subject. It is common that rates are negotiated based on an all-in level including Bunker Adjustment Factor ("BAF"), and the BAF broken out from that rate afterwards to allow for fluctuation in line with bunker cost fluctuations during the contract period. Because of the highly competitive market for ocean container shipping services in the U.S. trades, and the Transpacific in particular, market rate levels over time tend to set around Maersk Line's cost level, and already factor in cost reductions from slow steaming. Maersk believes that the rates and charges agreed to with its customers through service contract negotiations are fair and reasonable given the various cost elements and market conditions involved.

The Maersk Line BAF formula is designed to be transparent and pass through cost savings based on decreases in the market cost for bunker, or cost increases based on the market increase in bunker costs.

9. **[Excluded]**

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)?*

One incentive not to engage in slower speeds on a specific vessel string is to meet the transit times requested by Maersk Line customers. Vessel technology would permit Maersk Line to operate at slower speeds than it does at present. Maersk Line must therefore balance the interest to further reduce speeds and CO2 emissions against the needs of its customers. The issue of availability of berth windows discussed in Question 3 above also affects our slow steaming decisions.

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?*

Vessel strings engaged in slow steaming usually require deployment of one additional vessel. In certain vessel strings engaged in slow steaming, there are circumstances when Maersk Line can still meet its transit time objectives without adding an additional vessel, because Maersk Line has reduced the number of ports called, or the marine terminal operator is able to provide higher vessel productivity, resulting in a shorter than planned time in port, or a combination of both.

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

Yes. Because of the additional vessel requirements of slow steaming and other commercial factors, Maersk Line has added tonnage since it began slow steaming.

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

Yes. Maersk Line ordered ten 18,000 TEU container vessels, which are designed to accommodate slow steaming. These newbuilds will have a cruising speed of 18-19 knots (max speed 23 knots), while the prior generation of large container vessels (example: Emma Maersk) were designed for a cruising speeds around 22-23 knots (max speed 25 knots).

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

Slow steaming has a positive impact on Maersk Line's on time performance of sailing schedules. Maersk Line has structured its schedules to factor in the effects of slow steaming and as a result there is a buffer in the Maersk Line schedule. If a vessel is delayed in a port because of unforeseen circumstances Maersk Line will, in many cases, be able to adjust speed accordingly and meet the schedule because of the increased buffer that slow steaming introduces.

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?*

Based on customer feedback, Maersk Line is not aware that shippers have been adversely affected by its slow steaming policies. It is important for many customers to get their products to market as early as possible. In some strings, slow steaming increases the transit time for the ocean segment. However, Maersk Line has mitigated the effects of these situations in two ways. First, as Maersk Line adds new services, it has focused products on specific markets by calling fewer ports with more volume density, and improved the reliability of those products. Maersk Line has also improved reliability in other aspects of the supply chain in addition to the ocean transit segment through improved reliability in booking and inland delivery.

Second, in the past, the cargo segment most sensitive to shorter transit times has been reefer cargo. During the same time period that Maersk Line has implemented slow steaming, Maersk Line has also introduced new reefer technology through the Star Reefer container. This new equipment is capable of storing perishable products longer, removing any adverse effect of increased transit time on the ocean leg, as well as being designed to use less energy, yielding environmental benefits.

As stated earlier, Maersk Line currently does not plan on modifying its existing slow steaming program for current strings but retains the flexibility to do so based on customer requirements.

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?*

Vessel Capacity. Slow steaming has not affected Maersk's ability to deploy capacity in the U.S. trades. Slow steaming and capacity deployment are managed separately and have separate business purposes. Maersk Line intends to add capacity by adding additional vessel strings in the U.S. trades and not by changing the speeds of current vessel strings.

Container Availability. Slow steaming is not the most significant factor impacting container availability. In some situations slow

steaming could result in additional vessel transit utilizing containers for an additional day or more. Also, additional container equipment is needed to service the additional vessels employed in strings that are slow steamed. However, many other factors impact container availability. In the life cycle of a container shipment, the time a container spends moving inland and sitting idle at a marine terminal or inland container yard consumes the majority of the time. Customer requests for extended free time at these storage locations often tie up containers for time periods that are longer than the ocean transit segment.

The example below demonstrates the different stages of a container during the shipment cycle.

Import example: Shanghai to Chicago

Container available - Gate out Export

Origin - load: 1-5 days

Origin terminal dwell: 2 days

Vessel transit time: 12 days

Destination dwell: 2 days

Rail to CHI: 3 days

Rail dwell: 2 days

Gate Out - Delivery: 1-15 days (depending on freetime requests/agreements)

Total time for the import transport move is then 23 days to 41 days, of which ocean transit represents 52% of total voyage in the best case scenario and 29% in the more common scenario.

Export example: Chicago to Shanghai

Container available - Gate out Export

Origin - load: 1-5 days

Origin - rail dwell: 1-2 days

Rail CHI-LSA/LGB: 3 days

Origin terminal dwell: 1-3 days

Vessel transit time: 15 days

Destination dwell: 1-2 days

Gate out - delivery: 1-10 days (depending on freetime requests/agreements)

Total time for the export transport move is 23 days to 40 days, of which ocean transit represents 65% of total voyage in the best case scenario and 38% in the more common scenario.

Additional significant factors that limit container availability include equipment turn time, flow balances, unpredictable demand, and positioning.

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

For Maersk Line, slow steaming is here to stay. Slow steaming is better for both customers and the environment. Slow steaming makes international container shipping more cost efficient and competitive, has the potential to ensure improved on-time delivery, and has a significant effect on reducing the environmental impacts from container shipping.

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.

The VSAs in which Maersk Line participates are not significantly impacted by slow steaming. Slow steaming is only one of many factors that impact the operation of a VSA. Other factors include port coverage, time spent in a port, and available berth windows. The reason Maersk Line participates in VSAs is to provide a more efficient and effective service.

Questions Directed to All Interested Parties

4. How important is slow steaming in the overall effort to reduce emissions of greenhouse gases and other air pollutants arising from ocean liner operations?

Maersk Line has set a voluntary target of reducing its CO2 emissions per container by 25% in 2020 (compared to 2007), and slow steaming is essential to achieving this goal. When compared to other global efforts to improve the environmental performance of container shipping through reducing the CO2 emissions to address climate change, slow steaming is "low hanging fruit" that can help the container shipping industry improve significantly.