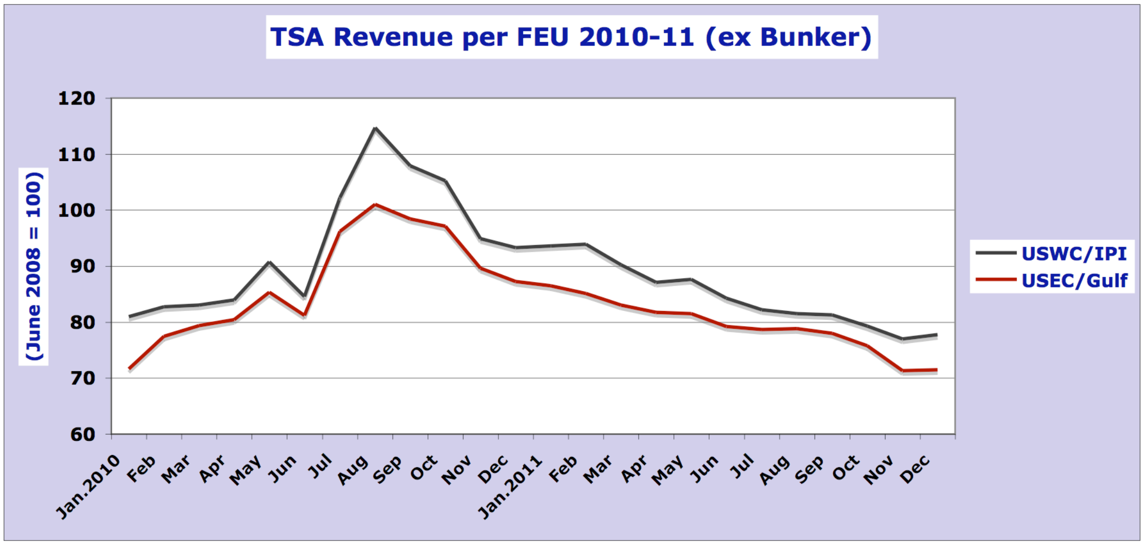
The TSA Revenue Index



Index	USWC/IPI	USEC/Gulf
Jan.2010	80.93	71.62
Feb	82.71	77.43
Mar	83.03	79.36
Apr	83.97	80.42
May	90.80	85.35
Jun	84.53	81.19
Jul	102.24	96.20
Aug	114.75	101.02
Sep	107.89	98.42
Oct	105.19	97.10
Nov	94.89	89.60
Dec	93.27	87.24
Jan.2011	93.60	86.45
Feb	93.87	85.13
Mar	90.24	83.02
Apr	87.06	81.76
May	87.64	81.54
Jun	84.28	79.21
Jul	82.22	78.71
Aug	81.51	78.86
Sep	81.27	77.97
Oct	79.30	75.76
Nov	77.02	71.36
Dec	77.78	71.50

Background

TSA's revenue index tracks average revenue per 40' container across TSA's membership of 15 major container lines, which together account for a large majority of the vessel capacity and cargo carried in the TSA trade from Asia to the U.S.

TSA has maintained a revenue index internally for several years, as part of its mandate to track market trends and set pricing stabilization goals.

As TSA has added new carrier members since 2007, it began a review of the index to reflect the changing characteristics of the group, as well as changing trends in the trade. Recently, an increasing number of customers have expressed interest in longer-term service contracts that begin with a specified set of rates and charges, and then have built-in escalator provisions or are otherwise allowed to fluctuate within a band over the life of the contract without further need for negotiation.

To make such contract provisions work, it would be necessary to have some historic baseline or reference point for understanding revenue trends and setting triggers for price movements or renegotiation.

While several third-party rate indexes already exist in the marketplace, each has limitations. Some are based on specific rates provided by a sampling of carriers that do not necessarily reflect the entire eastbound transpacific market. Others are based on "spot" rates between select, high-volume port pairs, which fail to include any ancillary charges and are not necessarily reflective of negotiated longer-term contract rates under which the vast majority of cargo in the trade moves.

The TSA Revenue Index tracks average revenue per 40-foot container (FEU) across the entire geographic scope of the eastbound transpacific trade. The Index includes tariffs and service contracts representing more than 75% of eastbound cargo volume.

Data Collection

Each month, 12 of 15 TSA carriers* submit to the TSA office their average revenue per FEU for the total TSA trade scope – with separate totals to the U.S. West Coast and to the U.S. East Coast/Gulf. Average revenue is provided by each carrier in U.S. dollar terms. Individual carrier data is kept confidential by TSA, and aggregated to develop the index. A weighting is applied to each carrier's submission based upon their relative cargo volume for that month. The weighting is updated each month.

Example: Carrier A, with an average revenue per FEU of $2000 to the West Coast, and a market share of 10%, is assigned a relative revenue of $200 toward construction of the total average rate; Carrier B, with an average revenue of $2,500 and a 5% market share, is assigned a relative value of $125 toward the aggregate average.

June 2008 has been determined to be the baseline month, with a value of 100, against which the Index is measured. It is the month TSA has used in various presentations to the trade, and it represents the most recent pre-recession revenue levels so as not to skew current data. The Index itself begins with January 2010. A decision was made to omit 2009 recession data, because both the depressed revenue levels, and the subsequent relative increases in 2010 back to 2008 levels, are not representative of normal market trends and will in any case have diminishing impact going forward.

The intent behind the Index is to show how revenue per FEU has evolved over the past 18 months, and how each month going forward compares to prior months, rather than comparing present revenue levels to those of 3 years ago.

***Certain TSA members have internal policies and/or systems in place that do not provide data on a regular basis for the Index. In volume terms, however, the Index still represents over 85% of the TSA's total monthly volume, or more than 4.5 million FEU annually.**

Index Components

Reporting covers all cargo carried by the line in the TSA scope, from all countries in East and Southeast Asia to the U.S. Cargo from the Indian Subcontinent (India, Pakistan, Bangladesh and Sri Lanka) is not included. Nor is cargo discharged at Canadian or Mexican ports, whether or not it is ultimately relayed to a U.S. destination).

Inland point intermodal (IPI) cargo is counted based on the coast of entry into the U.S. The IPI portion is reported separately and is weighted according to both the line's market share and the proportion of port-to-port vs. intermodal cargo it carries.

Both beneficial cargo owner (BCO) and third-party intermediary (forwarder, NVOCC, 3PL, etc.) cargo is included. Revenues based on long-term contract and short-term spot rates are both included.

Average revenue per FEU includes base rates and all applicable, non-floating accessorial charges (terminal handling charges, documentation fees, Alameda Corridor charge, Panama or Suez Canal charges, etc.).

Fuel surcharges are not included in the averages because they fluctuate (along with fuel prices) independently of rates and the market, and are collected through a separate floating mechanism. TSA believes that there can be benefits from seeing variations in ocean freight and bunker adjustment separately.

Index vs. Dollar Figures

Unlike some other indices, TSA uses a true index of relative values instead of actual dollar revenue figures. There are two key reasons for this:

1) Because the index covers such a wide scope (all of Asia, all cargo, contract and spot rates, etc.), and because the various lines have very different mixes of cargo and trade scope, any specific dollar number would be less meaningful.

2) The TSA index serves a specific purpose – tracking revenue trends that can be applied in longer-term contracts and as a pricing stabilization tool – that is not necessarily the same as that of other indices. TSA's principal aim in publishing the index is to take a longer term, trend view of overall revenue, not to focus on specific volatile dollar amounts. The Revenue Index is simply intended to add one more piece of information that will help the shipping public develop a more complete picture of market trends in a complex and highly competitive trade lane.