Maersk Line, Limited

New Container Weighing Regulations – What You Need To Know

05 May 2016
Agenda

- MLL at a glance
- SOLAS in Context
- Impact on the Industry
- Impact on Shipper
- Industry Update
- Actions
- Learn More
- Q&A
MAERSK LINE, LIMITED
Maersk Line, Limited at a glance

- Involved in the movement of U.S. Military cargo
- Involved in the operation of U.S. Navy non-combatant ships

<table>
<thead>
<tr>
<th>Key figures</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Years of Service</td>
<td>34</td>
</tr>
<tr>
<td>Year established to convert and operate 5 U.S. Navy cargo ships</td>
<td>1983</td>
</tr>
<tr>
<td>Vessels operated worldwide</td>
<td>33</td>
</tr>
<tr>
<td>Mariners employed at sea on any given day, making us the largest commercial employer of American seafarers</td>
<td>700</td>
</tr>
<tr>
<td>Colleagues employed ashore</td>
<td>170</td>
</tr>
<tr>
<td>Ships enrolled in the U.S. DOT Maritime Security Program (MSP) and the Voluntary Intermodal Sealift Agreement (VISA)</td>
<td>23</td>
</tr>
</tbody>
</table>
SOLAS in Context
Focus on safety of merchant ships

International Maritime Organization (IMO) has 171 member countries

- IMO is host of the SOLAS convention
- SOLAS = Safety of Life at Sea
- Amendments to SOLAS are applicable to all member countries

The new amendment focuses on verifying container weight

- Amendment to existing convention (chapter VI, regulation 2)
- Intent is to reduce:
  - Loss of containers from vessels
  - Provide assurance to parties in the supply chain
  - Improve the safety of the workforce, vessel and equipment

The main change is that per 1st of July 2016, the gross mass of the container shall be verified by the shipper

Due to the new SOLAS amendment, declaring container weight is becoming a legal requirement
Impact on the Industry

- What?
- How?
- Who?
- When?
What is Verified Gross Mass (VGM)?

VGM is the declared weight of a full export container

- Every export container needs a VGM:
  - Standard sea freight container
  - Tank containers
  - Flat racks, and
  - Bulk containers

The VGM process is closed if:

- Maersk has received the VGM and:
  - The container is boarded on the vessel.
  - There is no reweighing of a container at port of destination or at transshipment

99% of 150 million TEU globally shipped is subject to the new SOLAS amendment
How can VGM be obtained?

**Method 1**
- Weighing the container after packaging and sealing

**Method 2**
- Weigh cargo pieces
- Packaging material
- Container tare weight* (*found on the container)

\[ \text{TOTAL WEIGHT} \rightarrow \text{TRUCK, FUEL, ETC} \rightarrow \text{LOADED WEIGHT} \]

**METHOD 1**

\[ \text{GOODS PACKING, ETC} \rightarrow \text{CONTAINER} \rightarrow \text{LOADED WEIGHT} \]

**METHOD 2**

\[ = \text{VGM} \]
Who is responsible for providing VGM?

Shipper is always responsible for providing VGM to Maersk!

Depending on the contractual agreement, the shipper can be:

- The importer or exporter of cargo, or

A logistic service provider

- Consolidator
- NVOCC
- Co-loader

Shipper is a legal entity or person named on the (original) bill of lading or sea waybill
When is the starting date?

1st of July, 2016

- Even if national government has not provided guidelines
- Maersk will have to abide by the new SOLAS regulation as of 1st of July 2016

**Impact on Daily Operations**

GO! Continue shipment

- Containers already boarded on a vessel prior to 1st of July

STOP In need of VGM

- Containers at Container Yard (but not loaded)
- Containers in transshipment (to mother or feeder vessel)
- Containers connecting to a vessel after inland move

As of 1st July 2016: No VGM = no shipment
Impact on Shipper

- Lead Time
- Communication
- Documentation
- Cost of Compliance
Communicating VGM to Maersk

The VGM can be part of the shipping instructions or as a separate communication

**Required information**
- VGM
- Party providing VGM (Signature)
- Verification Date
- Shipper
- References (Container Number, Maersk Booking Number or Bill of Lading Number)

**Additional requested information**
- Additional National Requirements (e.g. UK weighing party certification #)

Maersk requires the VGM (=weight) and not the VGM document
Industry Update

- Government
- Communication Channels
- Terminals
Governments

The VGM will be a global requirement

- Countries can decide own regulation on:
  - Certification of weighing parties
  - Calibration of weighing scales and
  - Margin of error

Enforcement is on a country level

Examples:

<table>
<thead>
<tr>
<th>Country</th>
<th>Requirement</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>Requires registration of parties providing method 2 weighing</td>
</tr>
<tr>
<td>NL</td>
<td>AEO / ISO certified companies are automatically allowed to use method 2</td>
</tr>
<tr>
<td>USA</td>
<td>Is not in alignment on how to implement regulation</td>
</tr>
<tr>
<td>China</td>
<td>Has still to communicate guidelines</td>
</tr>
</tbody>
</table>
Communication Channels

Communication channels
- Maersk prefers to receive the VGM electronically (EDI or e-platforms)
- To accommodate all shippers, Maersk will also accept email or submission via Maersk website

Cut-off times
- Maersk has not announced if there will be any changes in the cut-off times
Terminals

Every terminal needs to decide on their own VGM strategy.

Commercial weighing is a local decision.

Examples:

<table>
<thead>
<tr>
<th>Country</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>Multiple terminals have announced they will accept containers without VGM, but in a separate stack</td>
</tr>
<tr>
<td>Brazil</td>
<td>Terminals already offer weighing as a service directly to the shipper</td>
</tr>
<tr>
<td>India</td>
<td>Terminals in Mumbai will integrate VGM in their normal yard operations</td>
</tr>
</tbody>
</table>

Gate in process of containers with/without VGM:

- Some Terminals will keep containers without VGM at a separate stack.

In case of any doubt, a terminal can ask to re-weigh the container.
Actions
What’s next?

- Check your options
  - Check weighing scales availability
    - which methods of weighing (1 or 2) are locally available
  - Check the national requirements
    - about physical verification of container weight, certification of weighing party and margin of error
- Check your internal processes
  - Check which scenario’s fit best to your business
  - Time line (cut off per country)

- Check who is the shipper in your current process
  - Use of logistic provider (change in cut off time)
- Check cost impact of weighing options
- Join your local shipper’s association
- Talk to Maersk / your local government to raise awareness
Thank you