



Creating A Better Life For the Future

Speech to Journal of Commerce Transpacific Maritime Conference

Long Beach, California
March 6, 2006

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Good morning ladies and gentlemen, valued customers, colleagues and honored guests. I am pleased to offer a keynote address to this important industry conference today.

I want to thank Peter Tirschwell of the Journal of Commerce for his invitation and the very convincing case he made for this appearance. I am humbled looking at the registration list and this audience – such an influential group in our industry. Thank you for your kind attention.

I will focus my comments today on an issue of great significance to our industry and the world. It is an issue all of us have read about, listened to the experts discuss and the politicians debate. This issue is the environment.

The Environment Is Everyone's Responsibility

At past industry conferences, this issue might be dismissed as commercially insignificant – something we as business people, transportation professionals, need not be concerned with – but instead something to be dealt with in the public relations department. This is no longer the case. It is time now that we together – ocean carriers, ports, terminals, inland carriers and shippers – as an industry begin to develop the foundation for a sustainable global container transportation system – environmentally, socially, economically and commercially responsible and viable.

Evergreen Group Chairman Chang says that, “We should not wait for the introduction of new regulations to tell us where to improve. As a responsible corporation, we should go beyond compliance and adopt clean technology to protect the marine environment and port communities.”

Protecting the environment, of course, like all issues, involves cost – significant cost. And how will the maritime industry, facing already such challenges, successfully address the environment issue? Not alone. But I will comment more on this topic after I provide some useful background.

Ocean Shipping Carries the World Economy

As many of you may know, next month we will mark the 50th anniversary of containerization – a great milestone in the development of transportation that no one could have recognized would have had such an impact on world trade.

During these last 50 years, the service scope of ocean carriers has been extended from a port-to-port service to a vast intermodal network with the integration of transportation modes across the entire globe. This audience is representative of that incredible growth.

Today, we see the latest development – the emergence of end-to-end international logistics, offering customized flexibility to meet each customer's specific supply chain needs. To meet these new demands, we have forged closer partnerships with terminal operators, railroads and trucking companies and made confidential agreements with our customers to ensure capacity and timely service in the competitive global marketplace.

In our new technologically advanced and sometimes complex world, it is easy to forget that long before containers, mankind has depended on the oceans for survival and progress. On the ocean, people of different cultures have broken through natural boundaries to interact with other cultures and to create more advanced societies. Civilizations have grown through economic development relying on trade. Ocean transportation has made this possible with more than 75 percent of global trade – more than US\$6.6 trillion of merchandise – today carried over the seas.

There is no question that since the world began, ocean transport has played a central role in mankind's pursuit of a better life. Through ocean transport, food, clothing, automobiles, computers and almost all daily consumer products continue to be delivered efficiently to every part of the world. Imagine, if ocean shipping stopped for one day? One week?

The global economy would come to a standstill.

At What Cost to the Environment?

It is accepted that ocean shipping is indispensable. But we must now consider these tremendous benefits – the opportunities opened by our global economy – against the cost to future generations. We must be disciplined, diligent and honest in our assessment.

The ocean nurtures the origin of life on earth. For centuries, the ocean has provided humans with abundant food, medical resources, and now also recreational functions. As the greatest life-supporting system on earth, the oceans process waste materials, recycle air, and help sustain a stable climate. All people share the same view about protecting the marine eco-system.

At the same time, every day there are tens of thousands of vessels sailing on the ocean. And there will be more as demand increases for capacity to support more trade and global sourcing. If we do not protect the ocean environment while we grow, can we imagine what will happen to our oceans and to our civilization?

In recent years, the earth has encountered more and more environmental problems, including greenhouse gas emission, desertification, water pollution, waste processing, air pollution, ozone depletion, soil erosion and extinction of endangered species to mention some of the main threats.

For example, it is estimated that every year more than 2 million sea birds and 100,000 marine mammals die from waste materials discarded by humans. Rain forests, home to many precious species, are shrinking at an alarming rate of 10 million hectare per year. In view of this depletion of natural resources and exploitation of the environment, governments and protection groups have been calling the world's attention to these serious problems. They are also trying to stop the worsening situation through binding agreements and regulations.

New Technology for Shipbuilding

We believe it is our responsibility to address these issues proactively, using the most advanced design and shipbuilding technology to protect the environment.

We should not passively control the damages to environment only when accidents occur. We must take initiative to minimize the impact of our operations on the environment.

I will take a few moments now to discuss new shipbuilding technologies and then I will conclude my speech with the most important part of my message: What is the cost and how can we invest together to protect the environment?

Using new shipbuilding technology, we can design larger, more efficient vessels that incorporate important features for protecting the environment.

We can do this today.

- **New Fuel Tank Arrangement**

A new evolutionary fuel tank arrangement incorporates a double-skinned hull with all fuel tanks located in protected locations, minimizing the risk of oil pollution or fire as a result of grounding or collision.

Most maritime accidents bring damage to traditional fuel tanks and cause fuel leakage and oil pollution, which can cause fire and pose greater danger to the crew and cargo. With the new fuel tank arrangement and double-skinned hull, we minimize this danger.

The International Convention for the Safety of Life at Sea (or SOLAS) and the International Convention for the Prevention of Pollution from Ships (or MARPOL) have stipulated that by 2010 all bulk vessels and tankers must be equipped with double-skin designs.

Although container vessels are not required to do so, we can contribute to the preservation of a clean environment and sustainable ocean resources by following this trend.

- **New Ship Coatings**

Ship coatings can be damaging to the environment. Tin, for example, can seriously spoil the genetic makeup of marine creatures, cause mutation, and even bring disaster to the marine ecology system.

For the preservation of marine ecology, we should switch to tin-free coating materials. We can do this and maintain the safety and appeal of our ships for many years.

- **Low-Sulfur Fuel Systems**

Sulfur in fuel exhaust from cars, factories and vessels pollutes the air. Sulfur dioxide can integrate with vapor and turn into acid rain with terrible effects on the environment and our health. With low-sulfur fuel and the latest fuel system, we can enormously reduce the emission of sulfur-containing exhaust. New fuel systems can also improve the efficiency of our engines, which means using less energy to create more power to improve conservation.

- **Alternative Maritime Power**

The technology of “Alternative Maritime Power” is ready for use. In fact, the Port of Los Angeles already is moving to require this technology. By switching to onshore electricity supply while ships are at berth, engines and generators can be shut down for discharge and loading to reduce the amount of exhaust emission in the port community.

- **Bilge & Sewage Control**

To control bilge and sewage, a high-capacity oily water separator can reduce the oil content of wastewater to safe levels. Larger bilge oil tanks provide more storage capacity than normal, and enable the vessels to avoid any discharge when sailing in sensitive areas. This enlarges the amount of waste for treatment and ultimate disposal by specialized shore facilities. Similar arrangements have been made for handling sewage and so-called grey water, including water from the cargo hold bilges.

- **Energy Efficiency**

In addition, ships can be designed to be more energy-efficient for improved navigation using more advanced engines and fuel and more streamlined hull designs.

This shipbuilding technology is available today. It will help us to develop a sustainable container shipping industry with increased efficiency and protection for the world environment. To ensure that future generations enjoy the benefits of global commerce.

To demonstrate our commitment to adopting these technologies for the environment, Evergreen Group has begun to take delivery of our new S-type containerships that we call “Greenships”.

In December last year, we celebrated the maiden voyage of one of our S-type “Greenships” – the Hatsu Sigma – at the U.S. ports of Los Angeles and Tacoma. We will take delivery of four more Greenships this year with four more to follow. Not only can our

Greenships carry 7,024 TEU at 25.3 knots, they are designed with many of environmentally friendly features that go beyond current standards.

Significant Investment

These improvements we believe are important steps in developing a sustainable container shipping industry that our children and grandchildren will depend on and be proud of. But as we have embarked on this mission, we are not blind to the cost.

To give an idea of the cost, I will take our vessels for an illustration. The investment in new features costs an estimated US\$5 million for each vessel, plus US\$400,000 per year for maintenance. Based on an economic life of 20 years, each vessel is estimated to cost US\$13 million additional. There are about 5,500 container vessels sailing the globe today. If we equip all these vessels with the same equipment, the cost will amount to more than US\$70 billion.

This is a huge cost for container carriers – an industry with low profit margins. As we all know from our industry publications and journals, container carriers are reported to have achieved record profits in 2004. But the “Who’s Making Money?” survey of American Shipper magazine reveals an average profit ratio of around 10 percent for this “prosperous” year. During other years, average profit is more or less 5 percent. It is quite clear that container shipping is a low-profit business.

Industry Cost Concerns

In addition to the extra cost arising from environmental protection, we also face rising operating costs and maritime security investments.

According to the amendment to SOLAS from the International Maritime Organization, from December 2002 vessel crew, port staff, passengers, cargo owners, vessel owners, port authorities and all concerned maritime parties must work closely to strengthen maritime security. These measures included the installation of new facilities, the increase of minimum crew number from 13 to 17, advanced crew training and more stringent vessel examinations. We also must find a way to adopt new technologies for improving supply chain security, such as electronic container seals, GPS and RFID to monitor and track the movement of containers and shipment integrity. These programs are needed, but also expensive.

In the last 10 years, oil prices have tripled. It is widely believed that the era of high fuel cost has arrived.

The deterioration of the trade imbalance has caused a sharp increase in the cost to reposition empty containers. According to the Journal of Commerce, the container volume from Far East to the U.S. is 1.24 times the volume of cargoes from the U.S. to Far East in 1995. U.S. import container volume doubled that of export in 1999, and as of October 2005, the ratio has jumped to 2.75, revealing a worsening imbalance situation. And now the rail cost of a twenty-foot container move from Los Angeles to Chicago has increased over 50 percent. We have reached a tipping point.

A Global Priority Shared by All

I do not mention these cost issues with a negative spirit. Everyone in business today faces his or her own rising costs. I bring this up to make a very important point.

If it is true that we all want to protect the environment – and I believe it is true from what I hear from our important customers and from what I read in the newspapers and magazines around the world. People want to improve the environment. We all believe it is important. Even our customers now are beginning to make business decisions based partly on environmental policies.

But if we all believe it is important, we must all be willing to bear some cost. If we are all to share in the privilege of clean air and clean water, we must share the responsibility for protecting it.

We must realize we are no longer unconnected. Our success – all of us in an integrated global supply and demand chain – depends on the success of the whole. The success of the entire world economy and the well being of the world's people depends on our ability to succeed as sustainable businesses at this critical juncture in our industry's history.

We cannot expect one party alone to bear all of the costs for protecting the environment and creating sustainability in global container shipping. The concept of "User Pays" is widespread in modern societies. In the aspect of environmental protection, we can extend this principle into a new concept of "Beneficiary Pays".

And who is the ultimate beneficiary of the global supply networks our companies have developed together? Ocean carrier? Terminal? Railroad? Trucker? Shipper? Consumer?

All of us, of course. We all realize the benefits of container shipping when we acquire goods at affordable prices – as our shared standard of living improves worldwide.

A Call to Action

That is why I have taken this opportunity before this important and influential group to draw attention to this important issue and to raise this call to action.

It is now time that we come together – ocean carriers, ports, terminals, inland carriers and shippers – to develop new ways to protect the environment for future generations while we maintain the efficiency of our global network. And once we have developed this "new way", we must educate. We must raise the awareness of the world's people to the importance of our industry and why investment is so critical – investment from everyone worldwide. This is the only way.

It is always mankind's dream and wish to improve the quality of life and to pursue a better future. However, the dream can never be realized at the expense of the natural environment and future generations.

I do believe, if we put all our efforts together, we will create a better life for the generations to come.

Thank you very much for your kind attention.