

## **North America Network Optimization**

To Our Valued Customers,

Maersk Line has been carefully evaluating the prevailing and anticipated future market conditions and the industry-wide practices and challenges. The purpose of this evaluation is to align our product to serve our customers' transportation needs. This evaluation has concluded that there are significant, longer term industry-wide challenges that must be addressed in order to offer a sustainable, cost effective service to our customers.

The business environment for container shipping in North America has fundamentally changed since deregulation in many ways. The current pricing model for end-to-end service is driven overwhelmingly by perceptions of port-to-port supply and demand and with nil consideration of round trip economics. In our view, this is no longer economically sustainable. The reality today is that the primary transportation cost drivers in North America have to a large degree, shifted from the ocean leg to the inland leg of the transport chain. The growing US trade imbalance continues to reduce the impact of export volume, further inhibiting the recovery of true costs. Port to port rates continue to decline. As a result, the industry, including Maersk Line, is not recovering the round-trip cost of container transportation. Land side costs have been driven up by bunker prices, rising terminal and rail costs and insufficient land based infrastructure to support continuous double digit volume growth.

In order to address these challenges, and continue to offer services that meet our customers' expectations, we will optimize our North American service network. The optimization will be accomplished through a carefully planned and executed phase out of service to certain lower volume locations which we can no longer cost effectively serve. By offering a simplified network of rail ramps and container yards, we expect our customers to experience a heightened level of service and thus increased customer satisfaction. This process has begun, and will be completed by April 30, 2007.

We have carefully evaluated the impact of these changes and while the vast majority of our network remains unchanged, we are sensitive to those customers who are affected. For those customers, our skilled and experienced sales teams are working directly with them to provide alternative solutions to meet their transportation needs. Our objective is to improve service delivery to our customers, with specific emphasis on product reliability and simplicity.

We at Maersk Line thank you for continued business, and look forward to serving your transportation needs.