



The Irish Maritime Transport Economist

VOLUME 4
April, 2007

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The Irish Maritime Development Office

The Irish Maritime Development Office (IMDO) was established by statute in December 1999. The office is the dedicated national body responsible for the promotion and development of the Irish Shipping Services sector and related industries. The office is incorporated as a division within the Marine Institute and is located in its Dublin office.

A key role of the office is to provide assistance to the Irish maritime industry along with its consumers to support and maintain competitiveness in the international marketplace.

As part of its role the IMDO has a statutory remit to;

- Advise the Minister on the development and co-ordination of policy in the shipping and shipping service sector so as to protect and create employment.
- Liase with, support and market the shipping and shipping service sector.
- Carry out policy as may be specified by the Minister relating to shipping and shipping services.

Editorial Team: Glenn Murphy, Victoria Vogel

External Contributors: Mr Fred Doll, Dr. Kevin Hannigan, Mr. Colm Walsh

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The Irish Maritime Transport Economist

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Irish Maritime Development Office
80 Harcourt Street
Dublin 2
Ireland

telephone: + 00 353 1 476 6500

facsimile: + 00 353 1 478 4988

website: www.imdo.ie

email: imdo@marine.ie

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Julie O'Neill
SECRETARY GENERAL OF THE DEPARTMENT OF TRANSPORT

Foreword

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I am very pleased to welcome you to the 4th edition of the Irish Maritime Transport Economist prepared by the Irish Maritime Development Office.

The Department of Transport assumed responsibility for the maritime portfolio in January 2006, upon its transfer from the Department of Communications, Marine and Natural Resources. I am pleased to say that this transfer of responsibility for the ports and shipping sectors has been relatively seamless and we welcome the support and endorsement that it has received. I am particularly pleased to have the expertise of the Irish Maritime Development Office as we plan wider integrated transport policy that can be designed as far as possible to overcome existing delays, bottlenecks and congestion and to provide the consumer with greater choice by offering alternative modes of transport in the supply chain. Through this integrated approach, the Department will develop and implement policies designed to ensure the competitiveness of the Irish economy and to improve regional balance.

With specific reference to the maritime sector, the conclusions of the ports capacity study carried out with the assistance of the IMDO and in conjunction with Fisher Associates in 2005/06 demonstrated that the capital investment projects being progressed by the ports sector have the potential to deliver adequate capacity going forward, without financial support from the Exchequer. The Department will continue to closely liaise with the ports in this regard.

I am pleased to say that the Department has made significant progress in the preparation of a new Harbours Bill to further support implementation of ports policy and to update the 1996 Harbours Act.

The Ports and Shipping sectors are important gateways and conduits for the Irish economy, the value and statistical evidence of which is clearly captured in this latest bulletin. I have no doubt that you will find the latest analysis of the sector, and its associated role in the performance of the wider economy, both interesting and informative.

Julie O'Neill,
Secretary General of the Department of Transport

Executive Summary

The Irish shipping services sector continued to benefit from strong economic growth in 2006. This is particularly reflected in the record performance of the unitised segments of the industry. The IMDO estimate that the sector directly employs over 8300 people and had a combined estimated turnover of €1.69 billion last year.

The latest national accounts for the year ending 2006 show that the Irish economy experienced further headline growth with GDP increasing by 6 per cent and GNP growing at 7.4 per cent. This was the fastest rate of economic growth in six years and the 13th successive year that Ireland has recorded above average GDP growth. It also remains the highest in real terms of all OECD member states. This placed Irelands GDP at current values at just over €175 billion. Inflation crept back up last year to 4 per cent overall to the year end, the highest level since 2001 with inflation in the last quarter reaching 5.2 per cent. The rises are mainly attributed to interest rate rises and continued volatility of world oil prices.

The performance of the shipping services sector is closely linked to the derived demand of the merchandise sector in Ireland. The export sector grew by just over 2 per cent in 2006 with the total value of goods exported at €88.7 billion. The volume of merchandise exports in the manufacturing sector has generally been below the growth in world trade, which appears to confirm the impact of intense global competition, in particular from lower cost locations in Eastern Europe and Asia. Imports are also another variable in the performance of the shipping sector, the value of imports grew by 5 per cent to €60 billion, producing a trade surplus €28 billion, a decline of 3 per cent. This has been the 4th successive decline in surplus balances.

The US was again Irelands largest export market in 2006, accounting for 18 per cent of export value. However growth in this key export market declined by 2 per cent due to the depreciation of the dollar versus the euro, in particular in the last quarter of 2006. According to the central bank the extent of this depreciation has been relatively limited but there is a clear potential for a more significant realignment of exchange rates to occur as part of a correction mechanism for global current account imbalances. If more sizeable movements were to occur and be sustained, this could adversely impact on the Irish economy. On a more positive note, outside of North America, Europe accounted for 63 per cent of the total value of merchandise exports last year, with the Belgian, Spanish and Northern Irish markets all showing reasonable signs of growth. The chemical and pharmaceutical sectors continued to drive export growth last year while the food and drink sectors also reported encouraging growth.

Uncertainty about supply and increased tensions in the Middle East led to further volatility for spot oil prices. Prices remained at historically high levels last year increasing by an average of 20 per cent, which obviously had a knock on effect in Ireland. Similarly the bunker market for ship operators increased by a further 19 per cent, adding further operational cost pressures in some market segments.

The Irish ports sector benefited from the overall buoyant economic growth in 2006. This was reflected particularly in the unitised segments with the ports in the Republic of Ireland that handle load-on/load off (lo/lo) traffic surpassing a combined 1 million twenty foot equivalent units (TEU's) for the first time. In total 1.3 million TEU were shipped at ports on the island last year an increase of 12 per cent year on year. This represents a doubling of throughput at Irish ports in this sector over the past decade. Another trend consistent with the changes elsewhere in the economy has been the rise in import volumes in TEU trades. In 2006 import

laden TEU traffic was running at almost a 2:1 ratio twice against export laden boxes. The roll-on/roll-off (ro/ro) sector similarly enjoyed strong growth with 8 per cent in the republic and 4 per cent in the North of Ireland. As with the lo/lo sector this represents a doubling of throughput of this traffic over the last decade. The distribution of this traffic is also almost split 50/50 between the Republic and North of Ireland. The ferry passenger market declined by a further 5 per cent last year, we estimate the decline in the car accompanied market was slightly slower at about - 1 per cent for the same period. There appears to be growing signs of optimism within this sector that the downward cycle may have peaked and that the travelling numbers might plateau this year. This sentiment is based on aggressive marketing and promotion campaigns being undertaken by the major sea carriers but also as a result of the delays at airports due to the ongoing security threats.

The bulk ports had a combined growth of just over 1 per cent last year and handled more than 32 million tons of wet, dry and break bulk cargoes. The slower growth can be attributed to static tonnage throughput at the larger ports of Shannon Foynes, Dublin and Cork. However the figure does not accurately reflect the performance of the regional ports, more than half of which recorded double digit growth last year.

There were mixed fortunes in the international shipping sector, the container market continued to see a decrease in average earnings across the segment, partially driven by concerns of over capacity in some areas. The dry bulk owners on the other hand, driven by strong demand from the Asian pacific markets, enjoyed stronger earnings with charter rates doubling in some areas over the 12 months. The main tanker markets remained relatively steady on average over the year.

Many economic forecasters are predicting slightly slower economic growth for Ireland in 2007 based on varying interpretations of a slow down in the housing market, underlying inflationary pressures, depreciating dollar and cost competitiveness issues in our principal export markets. On the other hand even future modest economic growth by recent standards is likely to result in growth in throughput activity at our ports, in particular in the unitized trades. As a service provider the Irish maritime transport sector will no doubt continue to position itself to adapt to provide competitive solutions in this potentially changing environment.

Finally I would like to thank all our regular contributors to this bulletin and in particular to my colleague Victoria Vogel and the IMDO team for their excellent work in preparing this 4th issue.

Glenn Murphy.
Director

Economic Outlook

COMMENT

The Irish economy continued to perform strongly in 2006. According to the Central Bank, GDP grew by 6 per cent while the annual rate of growth of GNP, which is a better measure of Ireland's growth, reached 7.4 per cent when the impact of inflation is removed. This placed Ireland's GDP at just over €175 billion in 2006. GNP growth has recovered significantly in recent years and in 2006 achieved its highest rate since 2000. The impact of continuing high growth means that since 1993 Irish GNP has increased by a cumulative total of 130 per cent after inflation giving an average compounded growth rate of 6.6 per cent per annum for this period. Increased consumer spending is a major driving factor for Irish economic growth and increased by 6.2 per cent in 2006. Capital investment also remains buoyant and increased by 3.9 per cent at constant prices in 2006. While imports grew strongly, net exports (exports minus imports) continued to increase reached €28 billion in

2006, 3 per cent down on 2005. The ongoing rise in Ireland's international trade is reflected in the continued volume growth in throughput at Irish ports. This is the 13th successive year that Ireland has recorded above average GDP growth and it remains the highest in real terms of all OECD member states. Latest OECD forecasts estimate that GDP growth in 2007 will remain above average at 5 per cent before softening somewhat to 4.5 per cent in 2008 as the impact of temporary factors such as SSIA funds fade. Domestic forecasters are also predicting growth rates in line with OECD projections with estimates ranging between 4.25 and 5.75 per cent for 2007 before softening in 2008. Despite this ongoing strong performance, the competitiveness of the Irish merchandise trade sector is a cause of increasing concern, in particular are increasing losses in export manufacturing companies that continue to erode both the export volume and value of the indigenous cargo base.

Economic Outlook

TABLE 1

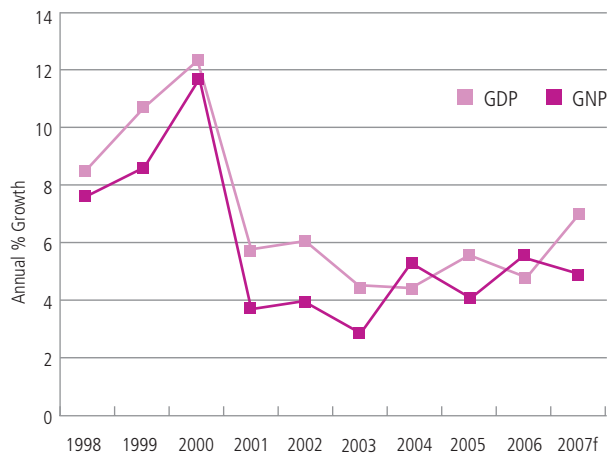
Irish GDP and GNP
(€ million in Current Values and Constant 2004 prices)

Year	Current Values		Constant 2004 prices	
	GDP	GNP	GDP	GNP
2000	104,553	90,016	120,865	107,325
2001	116,756	98,545	127,931	111,338
2002	129,947	107,655	135,649	114,984
2003	138,941	118,522	141,472	120,998
2004	147,569	125,818	147,569	125,818
2005	161,163	137,719	155,723	132,559
2006	175,795	150,282	165,047	140,844
2007 (f)	191,007	162,462	173,734	148,590

Source: CSO, 2006 and 2007 (f) Central Bank forecast

GRAPH 1

Economic Growth Trend 1998-2007



Source: CSO

TABLE 2

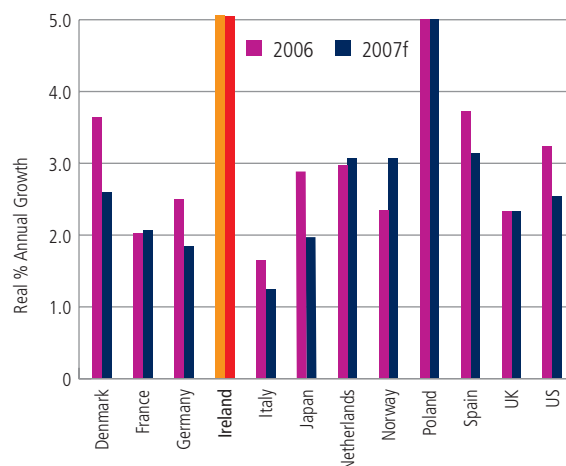
Irish GDP Growth Compared to Selected Economies

Country	2006	2007f	2008f
Denmark	3.5	2.6	1.6
France	2.1	2.2	2.3
Germany	2.6	1.8	2.1
Ireland	5.1	5.1	4.5
Italy	1.8	1.4	1.6
Japan	2.8	2.0	2.0
Netherlands	3.0	3.1	3.0
Norway	2.4	3.2	2.7
Poland	5.1	5.1	4.8
Spain	3.7	3.3	3.1
UK	2.6	2.6	2.8
US	3.3	2.4	2.7

Source: OECD Economic Outlook November 2006

GRAPH 2

GDP of Selected Economies 2006



Source: OECD Economic Outlook November 2006

COMMENT

The annual rate of inflation in Ireland, as measured by the Consumer Price Index (CPI), was 4 per cent for 2006 but accelerated in the latter part of the year reaching 5.2 per cent in January 2007. Ireland's inflation has consistently exceeded the ECB target of 2 per cent per annum. The recent rise is mainly attributable to higher mortgage interest repayments and global oil prices. The ECB has increased interest rates further in the first months of 2007 and at least one more rise is expected. Interest rates and oil prices are outside of our control but other domestic variables, such as wage and service prices have contributed to rising inflation over the past year. The EU's Harmonised Index of Consumer Prices (HICP), shows Irish inflation at 3 per cent in December 2006 and 2.9 per cent in January. The average for the Euro area is 1.8 per cent indicating an on-going erosion of price competitiveness in Ireland relative to other Euro countries. Forecasts by the Central Bank and the ESRI suggest that Irish

inflation should moderate in 2007 leading to an annual rate closer to 3 per cent. However, this depends on weaker energy prices, an end to the series of interest rate increases by the ECB and greater control of domestic inflation factors. Employment in Ireland has continued to grow. The Irish labour force reached 2.15 million at the end of 2006, an increase of 175,000 over the previous 2 years. Positive demographic features and strong immigration were the main factors driving this increase with employment growth above 4 per cent. A number of concerns have been expressed regarding the sustainability of aspects of this performance. Attention has also focussed on the manufacturing employment base as a result of some high profile closures. Many of the service sector and construction jobs that have been created in recent years depend on incomes derived from manufacturing jobs. Any knock-on impact from job losses in manufacturing could have a large impact on the overall picture.

Economic Outlook

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TABLE 3

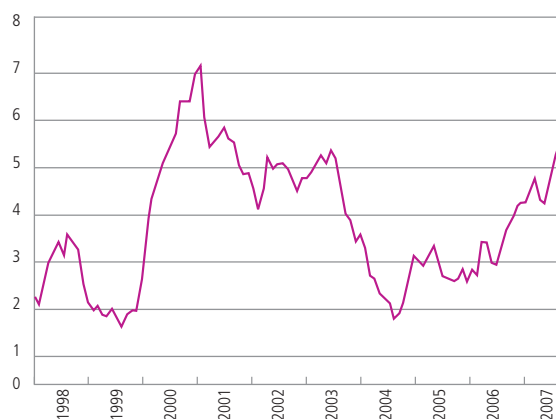
Consumer Price Index 1998-2007

	Index 2001=100	% Change
1998		2.4%
1999		1.6%
2000		5.6%
2001	100.0	4.9%
2002	102.7	2.7%
2003	106.3	3.5%
2004	108.6	2.2%
2005	111.3	2.5%
2006	115.7	4.0%
2007f		
Jan-07	117.9	
Feb-07	118.9	

Source: CSO Central Bank of Ireland

GRAPH 3

Irish Inflation (%) 1998-2007



Source: CSO Central Bank of Ireland

GRAPH 4

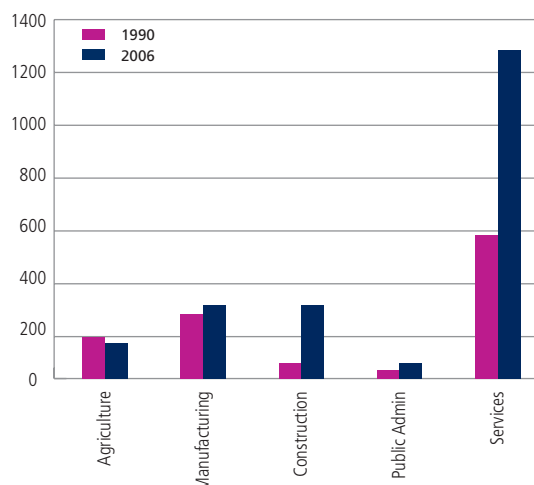
Harmonised Index of Consumer Prices (HICP) Jan '07



Source: CSO Central Bank of Ireland

GRAPH 4A

Employment in Ireland by Sector (1990 & 2006)



Source: CSO

COMMENT

Interest rates have been rising in all the major economic areas – US, UK, EU and Japan – to varying degrees in recent years. The Irish Economy has a large trade exposure to the US dollar and Sterling and is therefore vulnerable to exchange rate changes. As a result, interest rate decisions by the ECB the Federal Reserve and the Bank of England can have considerable effects. Inflationary perceptions will drive these decisions although it is also likely that the Federal Reserve in particular will watch for indications of economic slowdown in the US and adjust its decisions accordingly. However, there are considerable global imbalances presently, in particular the huge current account deficit in the US, which may lead to further declines in the value of the dollar even in the absence of changes in relative interest rates. The US Federal Reserve ended a series of 17 consecutive rises of 0.25 per cent in 2006

but a cut is unlikely as long as inflation is perceived as a threat. The ECB has now raised interest rates by 25 basis points on 5 occasions to the current rate of 3.75 per cent while the Bank of England has continued to increase rates. This is based on a perception of rising inflationary pressures due to a strengthening of activity in the euro area over the course of 2006 and contrasts to the emerging slowdown in growth in the US. The Bank of Japan has also begun to raise interest rates although inflation remains at or below zero. Growth is forecast to reach 2.5 per cent this year. This has implications for the global economy as major financial flows have been driven by the very low interest rates in Japan. This will have implications for the future value of the US dollar.

Economic Outlook

TABLE 4

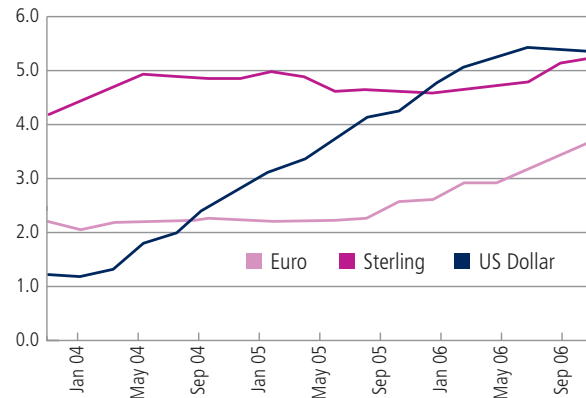
Forecast Interest Rates to End 2007

	Current	End Q2	End Q3	End 2007
US Fed funds	5.25	5.25	4.75	4.5
ECB refinace	3.75	4.0	4.0	4.25
B of E repo	5.25	5.5	5.5	5.5
B of J OCR	0.5	0.5	0.5	0.75

Source: AIB Global Treasury

GRAPH 4

Euro, UK & US 3-month Interest Rates Q1 2004 - Q1 2007



Source: Central Bank of Ireland

TABLE 5

International Three-month Interest Rates

Three-month Interest Rates		Per cent per annum			
		Euro	UK Sterling	US Dollar	Japan Yen
2004	Jan-04	2.06	4.09	1.08	-0.06
	Mar-04	1.94	4.32	1.06	0.01
	May-04	2.06	4.59	1.19	-0.04
	Jul-04	2.09	4.88	1.64	0.02
	Sep-04	2.09	4.85	1.92	0.01
	Nov-04	2.14	4.78	2.34	0.01
2005	Jan-05	2.12	4.81	2.69	-0.02
	Mar-05	2.09	4.91	3.04	-0.02
	May-05	2.11	4.80	3.28	-0.02
	Jul-05	2.12	4.55	3.68	-0.02
	Sep-05	2.16	4.58	4.04	0.03
	Nov-05	2.44	4.55	4.20	0.03
2006	Jan-06	2.52	4.52	4.65	-0.01
	Mar-06	2.79	4.58	4.99	0.01
	May-06	2.88	4.63	5.20	0.20
	Jul-06	3.13	4.73	5.40	0.35
	Sep-06	3.39	5.04	5.32	0.41
	Nov-06	3.60	5.19	5.29	0.44

Source: Central Bank of Ireland

COMMENT

EXCHANGE RATES: The Euro closed 2006 at US\$1.32, compared to US\$1.18 at end 2005, and has extended these gains to a recent high of just under US\$1.34 as shown in Graph 6. The rate had been driven by increasing US interest rates through 2005 which came to an end in early 2006. These caused the US\$ to strengthen in 2005 and to fall in 2006. European interest rates have subsequently begun to rise underpinning the Euro. Should the Euro again exceed the peak rate of 1.367 it achieved in late 2006 this could be the trigger for further declines in the dollar.

The euro fell against sterling during 2006 to UK£0.67 before recovering to its current level of UK£0.68 in April 2007. A further interest rate rise may be on the cards in the UK and no clear long term trend in the Euro-UK£ exchange rate is discernable.

Ireland's Nominal Trade-Weighted Competitiveness Indicator (NTWCI) rose over the course of 2006 from 102.06 at the start of the year to 103.26 at the end of November. A continuation of Euro strengthening is possible that would further intensify pressure on price competitiveness. While US\$ denominated exports from Ireland are extremely important, changes in the Euro-UK£ exchange would have a greater economic impact on smaller Irish firms in traditional industries. Table 2 contains exchange rate forecasts for the Euro to end 2007. The Central Bank speculates that a continuation of the euro strengthening is possible particularly when taking into account the high US current account deficit. This would further intensify pressure on the price competitiveness of Irish exporters.

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TABLE 6

Forecast Euro Exchange Rates to End 2007

	Current	End Q2	End Q3	End 2007
US\$	1.33	1.33	1.35	1.33
UK£	0.678	0.68	0.68	0.69
Yen	156.7	156	157	152

Source: AIB Global Treasury

TABLE 7

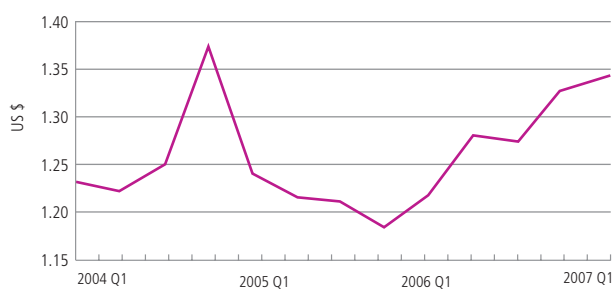
End of Period Exchange Rates (Units per Euro)

Exchange Rates: End of Period	Units per Euro			SDR
	Japan Yen	UK Sterling	US Dollar	
2004 Q1	126.97	0.6659	1.2240	0.825660
Q2	132.40	0.6708	1.2155	0.829001
Q3	137.17	0.6868	1.2409	0.844728
Q4	139.65	0.7050	1.3621	0.877072
2005 May	133.47	0.6771	1.2331	0.836031
Jun	133.95	0.6742	1.2092	0.830145
Jul	135.91	0.6893	1.2093	0.832934
Aug	136.06	0.6829	1.2198	0.835573
Sep	136.25	0.6820	1.2042	0.830790
Oct	139.64	0.6767	1.2023	0.813583
Nov	140.80	0.6822	1.1769	0.826396
Dec	138.90	0.6853	1.1797	0.825389
2006 Jan	142.17	0.6843	1.2118	0.838385
Feb	138.18	0.6796	1.1875	0.827511
Mar	142.42	0.6964	1.2104	0.840062
Apr	143.29	0.6942	1.2537	0.852241
May	144.32	0.6859	1.2868	0.861208
Jun	145.75	0.6921	1.2713	0.859353
Jul	145.82	0.6843	1.2767	0.860389
Aug	150.56	0.6741	1.2851	0.863338
Sep	149.34	0.6777	1.2660	0.857506
Oct	149.59	0.6685	1.2696	0.857815
Nov	153.29	0.6743	1.3200	0.875490
Dec	156.93	0.6715	1.3170	0.875431
2007 Jan	157.27	0.66325	1.2954	
Feb	156.45	0.67365	1.3211	

Source: Central Bank of Ireland

GRAPH 6

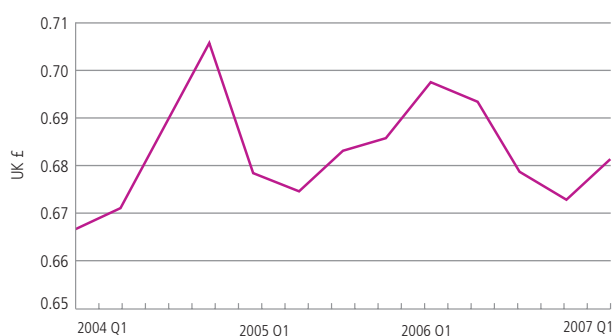
Euro – US\$ Rate Q1 2004 – Q1 2007



Source: Central Bank of Ireland

GRAPH 7

Euro – UK£ Rate Q1 2004 – Q1 2007



Source: Central Bank of Ireland

COMMENT

OIL MARKET: Oil prices in 2006 and 2007 have remained high and volatile due to high and growing oil demand in developing countries, tight supply with limited spare capacity, supply disruption and political uncertainties. 2006 world oil demand averaged 84.5 million barrels per day ("mbd"), an increase of 1 per cent over 2005. 2007 world oil demand is forecast at 1.8 per cent growth over 2006. World oil production remains very close to industry capacity.

Oil prices remain at high levels historically. 2006 market behaviour reflected ongoing concerns regarding the tight supply / demand balance, OPEC agreements to limit production, potential disruptions to supply, and possible higher than forecast oil demand growth. However, as 2006 demand growth fell short of expectations, oil prices decreased from the \$73 per barrel monthly average Brent price of July-August 2006. Brent crude prices fell to an

average \$58 per barrel October-November 2006. After a brief increase to an average \$62 per barrel in December, Brent crude prices continued to decrease to an average \$54 per barrel in January. But as OPEC production cuts, refinery outages, extremely cold US weather and political uncertainties took effect, the Brent price increased to an average of \$58 per barrel in February 2007 and about \$61 in March. The ongoing tight supply/demand balance, supply uncertainties and political concerns is expected to keep prices high and volatile in response to market developments and expectations.

Economic Outlook

TABLE 8

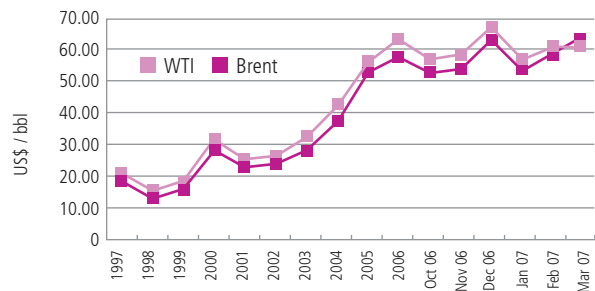
Oil Prices 1997 - 2006

Avg. \$US per barrel Year Avg.	Brent	WTI	Bonny	Dubai	Arab Lt	Minas
1997	19.11	20.61	19.56	18.23	18.85	19.42
1998	12.76	14.42	12.88	12.25	12.30	12.44
1999	17.90	19.34	17.78	16.99	17.16	17.57
2000	28.66	30.38	28.36	26.12	26.69	28.69
2001	24.46	25.98	24.54	22.81	23.11	24.09
2002	24.99	26.18	24.98	23.75	22.57	25.42
2003	28.85	31.08	28.78	26.76	26.05	29.63
2004	38.26	41.50	37.99	33.53	33.89	36.73
2005	54.57	56.64	55.68	49.32	49.29	54.01
2006	65.14	66.04	67.03	61.49	60.29	65.18
Oct-06	57.81	58.89	60.69	56.57	54.57	55.57
Nov-06	58.76	59.08	60.36	56.40	54.26	55.84
Dec-06	62.47	61.96	64.20	58.44	56.72	61.75
Jan-07	53.68	54.51	56.58	52.35	49.28	56.25
Feb-07	57.56	59.28	58.91	54.10	51.02	56.73
Mar-07	60.70	59.33	63.23	58.24	56.79	61.90

Source: US Dept. of Energy

GRAPH 8

Crude Prices \$ per Barrel 1997 - 2006



Source: US Dept. of Energy

COMMENT

BUNKER PRICES: In 2006, bunker prices increased by an average 19 per cent in the ports tracked, similar to average increases of 17 per cent to 22 per cent noted for key benchmark crude prices. The average 2006 marine diesel oil price increased by 14 per cent in Rotterdam, 13 per cent in Los Angeles and 21 per cent in Singapore. The average 2005 IF 380 price (380 centistoke fuel oil) price increased by 25 per cent in Rotterdam.

January-March 2007 MDO prices in Rotterdam and Singapore decreased by about 12 per cent versus the 2006 average price, similar to the 11-13 per cent decrease for the key benchmark crudes tracked. In Los Angeles, MDO prices decreased by 6 per cent.

Economic Outlook

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TABLE 9

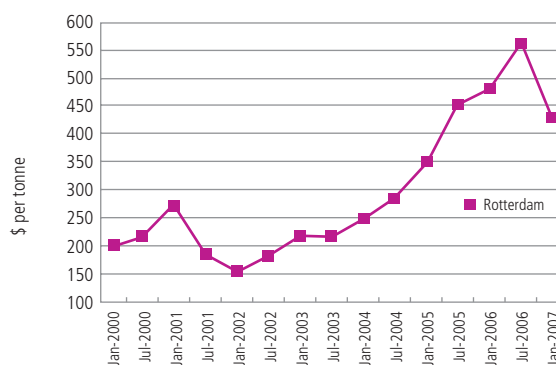
Bunker Prices (\$/Tonne)

	380 cst \$/tonne			MDO \$/tonne		
	Rotterdam	Singapore	L.A.	Rotterdam	Singapore	L.A.
1997	95.84	102.73	102.02	157.19	178.69	215.87
1998	67.62	70.02	68.45	112.19	115.73	171.64
1999	93.41	101.80	96.60	132.96	141.85	157.82
2000	138.43	158.72	152.10	231.56	248.46	270.50
2001	117.45	133.11	126.08	192.44	205.82	256.58
2002	133.69	148.94	142.35	188.24	197.92	233.60
2003	152.85	172.04	162.05	230.38	242.47	306.88
2004	155.27	180.32	186.44	313.37	334.32	397.97
2005	233.98	261.90	263.32	458.42	481.42	574.39
2006	293.04	313.18	320.96	524.06	580.55	651.58
Oct-06	266.13	286.63	291.50	479.38	530.00	606.75
Nov-06	262.38	271.13	284.25	475.13	530.00	590.38
Dec-06	255.90	269.70	287.00	486.50	528.30	647.50
Jan-07	229.13	274.88	284.13	441.88	490.25	603.13
Feb-07	251.50	296.38	316.88	458.75	519.50	594.63
Mar-07	267.75	307.50	321.25	485.00	530.25	636.00

Source: Clarksons

GRAPH 9

Marine Diesel Oil Prices



Source: Clarksons



Trade Outlook

COMMENT

The total value of Irish merchandise exports in 2006 was €88bn, an increase of 2 per cent on 2005, while the value of imports grew 5 per cent to over €60bn. This produced a slightly smaller trade surplus than the previous year of €28bn, a decline of 3 per cent. Growth in merchandise exports has been buoyed by the rise in organic chemicals exports, however the manufacturing sectors declining cost competitiveness is having an impact on exports. Although industrial output increased for the first three quarters of 2006 by a robust 5.5 per cent this was not reflected in the export outturns. The volume of merchandise exports has generally been below the growth in world trade indicating a declining market share reflecting sectoral changes, declining competitiveness and a longer-term movement towards services activities. Services exports growth has been much stronger than merchandise exports. This positive performance has helped ensure that the overall

export growth rate has not declined too sharply.

In the final quarter of 2006 the strong euro exchange rate and weakened dollar value exerted a downward pressure on export price changes which indicates more competitive pressures than at the beginning of 2006. In 2006 the value of imports increased by 5 per cent on 2005 levels. Imports were driven primarily by domestic consumption and machinery and equipment expenditure. The Central Bank forecasts a continuation of robust domestic demand conditions which will see a sustained growth in imports for 2007. The Central Bank also forecasts that exports for 2007 will grow at modest levels with much of the impetus coming from services transactions, however they do predict a fall in the merchandise trade surplus in 2007 due to strengthening consumption and modest exports. This clearly shows that merchandise imports are growing at a faster rate than exports.

Trade Outlook

TABLE 10

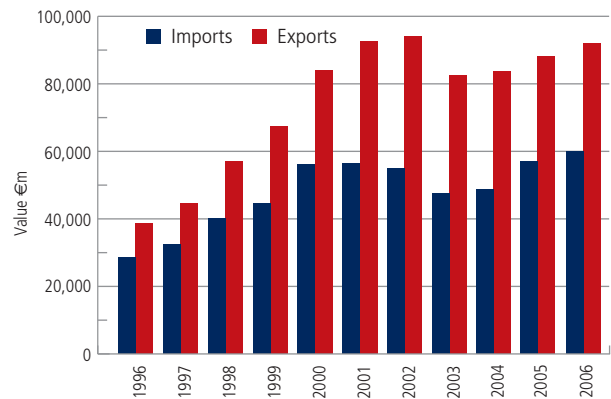
External Trade Growth 1992-2006

Year	Imports €m	Exports €m	Trade Surplus €m
1992	16,754	21,260	4,506
1993	18,900	25,179	6,279
1994	21,945	28,891	6,946
1995	26,181	35,330	9,149
1996	28,479	38,609	10,130
1997	32,863	44,868	12,005
1998	39,715	57,322	17,607
1999	44,327	66,956	22,629
2000	55,909	83,889	27,980
2001	57,384	92,690	35,306
2002	55,628	93,675	38,047
2003	47,865	82,076	34,211
2004	51,105	84,410	33,305
2005	57,465	86,732	29,267
2006	60,398	88,704	28,306

Source: CSO

GRAPH 10A

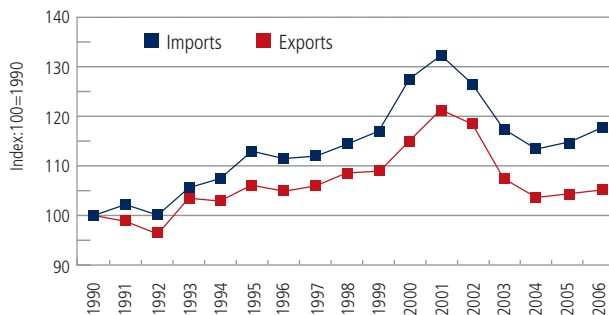
External Trade Growth 2006



Source: CSO

GRAPH 10B

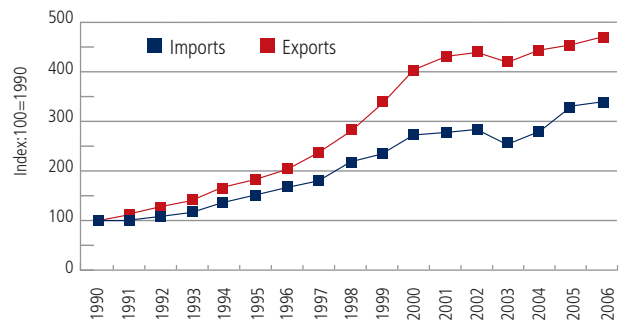
Imports v Exports Index by Value



Source: CSO

GRAPH 10C

Imports v Exports Index by Volume



Source: CSO

COMMENT

The two largest SITC commodity groups, chemicals and machinery and transport equipment, exports grew by 13 per cent and 5 per cent respectively. Both commodity groups represent 62 per cent of the total merchandise export market. On an individual basis, Ireland's largest export in terms of value in 2006 was organic chemicals increasing by 4 per cent. In 2006 medical and pharmaceutical products exports grew by a modest 2 per cent following a 5 per cent decline in 2005. Coupled with the declining manufacturing sector exports overall. Since 2001 the level of meat exports has increased by an average of 8 per cent representing strong demand for Irish meat produce abroad. The Irish food and drinks industry accounted for 8 per cent of the export market. Food exports grew by 8 per cent and drinks exports by 14 per cent for 2006.

Imports have been strong in 2006 driven by domestic consumption and disposable income. Office machinery and road vehicles were the two biggest imports into Ireland in

2006. Road vehicles surpassing electronic machinery, apparatus and appliances in terms of import value in 2006 increasing by 8 per cent. The largest increase in imports, 16 per cent, was in petroleum, no doubt driven by fuel consumption and the increasing domestic car market. The majority of growth in merchandise imports was towards the latter half of the year due to strong domestic consumption and machinery and equipment expenditure. All indications for 2007 are for an expected continuation of robust domestic demand conditions with sustained strong growth in imports in 2007.

Trade Outlook

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TABLE 11

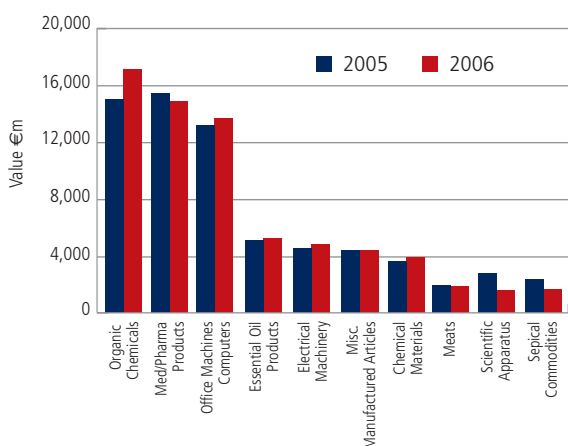
Value of Merchandise Trade by Commodity Group, 2006 Exports

Exports	2005 € m	2006 € m	Change %	Share %
Organic Chemicals	17,756	18,529	4%	21%
Medicinal & Pharma Products	14,425	14,772	2%	17%
Office Machinery	13,982	14,030	0%	16%
Essential Oil Products	5,233	5,312	2%	6%
Electrical Machinery	4,911	5,123	4%	6%
Misc. Manufactured Articles	4,951	4,912	-1%	6%
Chemical Materials	2,321	2,441	5%	3%
Meat	2,180	2,403	10%	3%
Scientific Apparatus	2,703	2,241	-17%	3%
Special commodities not class.	2,448	2,162	-12%	2%
Misc. Edible Products	1,427	1,664	17%	2%
Telecoms & Sound Equipment	1,438	1,362	-5%	2%
Gen. Industrial Machinery & Equip	1,135	1,200	6%	1%

Source: CSO

GRAPH 11

Value of Exports by Commodity 2006



Source: CSO

TABLE 12

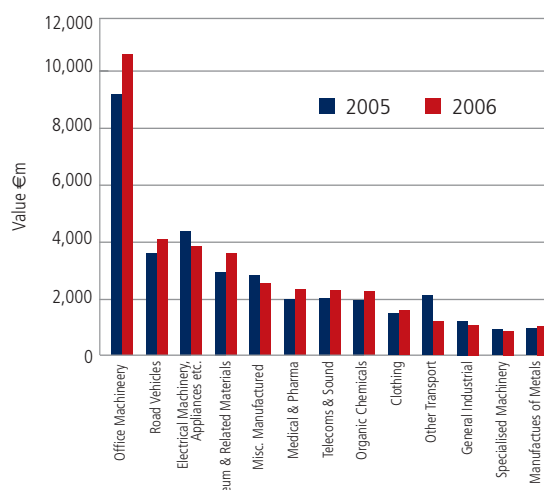
Value of Merchandise Trade by Commodity Group, 2006 Imports

Imports	2005 € m	2006 € m	Change %	Share %
Office Machinery	9,141	10,396	14%	17%
Road Vehicles	3,768	4,059	8%	7%
Elect. Machinery	4,332	3,845	-11%	6%
Petroleum	3,198	3,718	16%	6%
Misc. Manufactured art.	3,202	3,029	-5%	5%
Medical & pharma products	1,995	2,220	11%	4%
Telecoms & sound recording equip.	2,006	2,149	7%	4%
Organic Chemicals	2,008	2,090	4%	3%
Clothing	1,527	1,635	7%	3%
Other Transport Equipment	2,032	1,368	-33%	2%
Gen. Industrial Machinery & Equip	1,372	1,347	-2%	2%
Specialised Machinery	1,158	1,326	15%	2%
Manufactures of metals	1,116	1,203	8%	2%

Source: CSO

GRAPH 12

Value of Imports by Commodity 2006



Source: CSO

COMMENT

There was a mixed bag of results in terms of exports to Ireland's main trading partners. Ireland's largest export market, the USA, declined by 2 per cent in 2006. This could be a reflection of the weak dollar towards the end of the year which had an adverse impact on the competitiveness of Irish exporters. Other declining export markets for Ireland in 2006 were France, Switzerland and Japan. Belgium beat Great Britain into second place in terms of exports. This is one of the best performing export markets for Ireland and in recent years has increased steadily. As a logistics and distribution hub for beverages, pharmaceuticals and road vehicles it is clear that Belgium is a strategic market for Ireland.

Spain and Northern Ireland are two export growth markets for Ireland. Spain is Ireland's top market for Irish indigenous exports. Metalliferous ores are one of the largest commodities exported to Spain increasing 22 per cent in

2006. Exports to Spain increased by 10 per cent in 2006. Exports to Northern Ireland increased by 11 per cent in 2006.

Ireland imports the greatest value of commodities from Great Britain. This market grew 9 per cent in 2006 with the main import commodities being petroleum products and manufactured articles. Imports from Germany, China, Italy, Norway and Singapore all grew in 2006. China and Singapore imports grew by 19 and 41 per cent respectively indicating the high level of consumer goods imported from the Far East along with the increasing significance of these markets for Ireland. The value of imports from the USA declined in 2006 by 15 per cent and imports from Japan also declined by 17 per cent this decline may have been driven by currency fluctuations over the course of 2006.

Trade Outlook

TABLE 13A

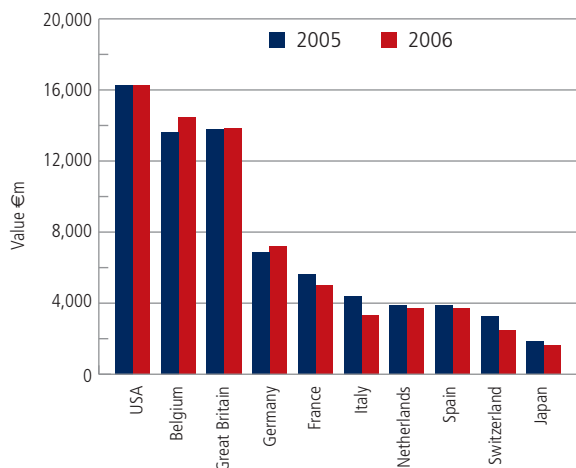
Exports Trade by Country

Exports	2005 € m	2006 € m	Change %	Share %
USA	16,545	16,219	-2%	18%
Belgium	13,374	14,201	6%	16%
Great Britain	13,674	13,881	2%	16%
Germany	6,618	6,919	5%	8%
France	5,658	5,050	-11%	6%
Italy	3,625	3,713	2%	4%
Netherlands	4,254	3,610	-15%	4%
Spain	2,949	3,257	10%	4%
Switzerland	3,206	2,514	-22%	3%
Japan	2,335	1,992	-15%	2%
Northern Ireland	1,481	1,651	11%	2%
All other	14,691	15,697	7%	18%
Total EU	55,976	56,693	1%	64%
of which EU-15	55,185	55,535	1%	63%
Total	88,411	88,704	0%	100%

Source: CSO

GRAPH 13A

Export Value by Country 2006



Source: CSO

TABLE 13B

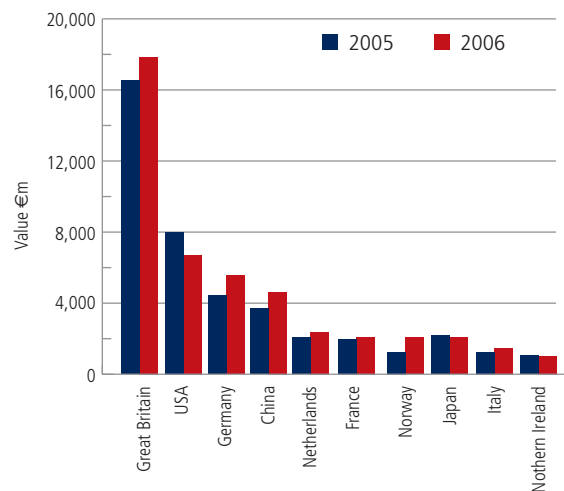
Imports Trade by Country

Imports	2005 € m	2006 € m	Change %	Share %
Great Britain	16,413	17,843	9%	30%
USA	7,985	6,798	-15%	11%
Germany	4,306	4,935	15%	8%
China	3,711	4,433	19%	7%
Netherlands	2,252	2,408	7%	4%
France	1,919	2,129	11%	4%
Norway	1,482	1,856	25%	3%
Japan	2,099	1,735	-17%	3%
Italy	1,224	1,533	25%	3%
Northern Ireland	1,215	1,297	7%	2%
Singapore	887	1,252	41%	2%
Belgium	1,056	1,203	14%	2%
All other	11,929	11,858	-1%	20%
Total EU	32,396	36,095	11%	60%
of which EU-15	31,768	35,139	11%	58%
Total	56,478	60,397	7%	100%

Source: CSO

GRAPH 13B

Import Value by Country 2006



Source: CSO

Traffic Outlook

COMMENT

The combined throughput of bulk cargoes at Irish ports last year was over 32 million tonnes, which represented a modest overall growth in throughput of 1 per cent. The bulk trades are segmented between the dry, wet and break bulk trades. The relatively lower growth figure for 2006 can be attributed to the mainly static throughput at Shannon Foynes, Dublin and Cork. However this does not fully provide an accurate picture of the performance of some of the smaller regional ports. In total, 6 out of the 12 ports recorded double digit growth, albeit from lower volumes. Dundalk, recorded a 33 per cent increase in throughput which was due to its increased grain and steel activity. Its neighbouring ports of Drogheda and Greenore also enjoyed higher growth of 14 per cent and 34 per cent respectively. The Port of Waterford surpassed 1 million tonnes again with 13 per cent increase, which was a return to growth after a slight decline in 2005.

Shannon Foynes is still the largest dry bulk port accounting for about 60 per cent of total throughput in this segment handling more than 11.2 million tonnes of cargo in 2006. The port estimate that this figure would have been higher except for maintenance work at Moneypoint power station which had reduced volumes but are expected to return to normal in 2007. The Port of Cork handled 44 per cent of all wet bulk and oil cargoes.

Overall the dry market increased its volumes by 9 per cent in 2006, while the total volume of wet bulk declined by 3 per cent and the breakbulk by 27 per cent, subsequently the dry cargoes accounted for 52 per cent of all cargoes handled in 2006 up 4 per cent on the previous 12 months.

Traffic Outlook

TABLE 14

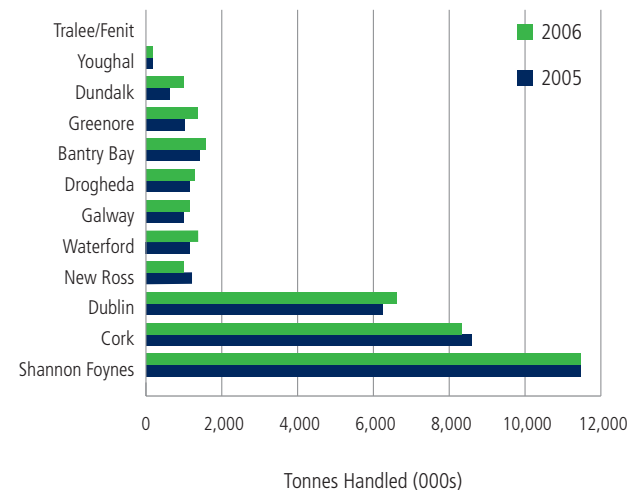
Non-united Traffic by Port & Type 2006

Tonnes (000s)	Bulk			Total 2005	Total 2006	Change %
	Liquid	Dry	Break			
Shannon Foynes	1,872	9,050	374	11,301	11,296	0%
Cork	6,078	1,712	401	8,424	8,191	-3%
Dublin	4,055	2,286	73	6,211	6,414	3%
New Ross	199	632	0	966	831	-14%
Waterford	60	864	161	974	1,086	11%
Galway	873	49	22	1,018	944	-7%
Drogheda	140	839	0	873	979	12%
Bantry Bay	965	225	0	1,141	1,190	4%
Greenore	0	636	229	646	865	34%
Dundalk	44	427	0	355	471	33%
Youghal	0	16	105	98	121	23%
Tralee/Fenit	0	0	13	9	13	44%
Total	14,286	16,736	1,378	32,016	32,401	1%

Source: CSO and Individual Ports

GRAPH 14A

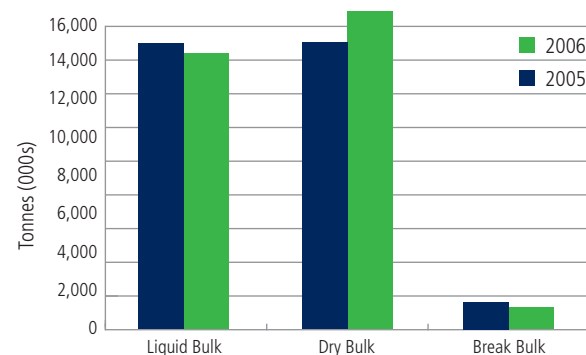
Bulk Tonnage by Individual Port 2006



Source: CSO and Individual Ports

GRAPH 14B

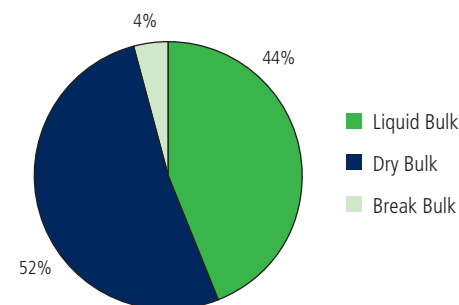
Bulk Tonnage by Category 2006



Source: CSO and Individual Ports

GRAPH 14C

Bulk Tonnage by Category 2006



Source: CSO and Individual Ports

COMMENT

The load on load off (lo/lo) market experienced continued growth in 2006. The combined container throughput in the Irish Republic surpassed 1 million TEU for the first time, an 11 per cent increase on the same period in 2005. The unitised ports in Northern Ireland also recorded growth of 19 per cent. In total the combined growth on the island was 12 per cent just under 1.4 million TEU. This represents a doubling of the total volume handled on the island over the last decade. Dublin and Cork both recorded double digit growth with Shannon Foynes almost doubling its throughput on its weekly service to Rotterdam. Waterford traffic grew by 2 per cent while Drogheda recorded a fall in traffic primarily as result of the withdrawal by Norforkline and their decision to consolidate its operations through Dublin and Waterford, although a replacement operator commenced services in November 2006. Belfast enjoyed 18 per cent growth. The Port's

container capacity was boosted by the completion of its new lo/lo facility at Herdman Channel, increasing capacity by 40 per cent. Warrenpoint had an 81 per cent increase in container traffic in 2006 which could be partly attributed to the increase in frequency by C2C and Eucon.

The lo/lo market saw quite a number of structural changes last year including, 3 high level merger and acquisitions, opening of new routes and other repositioning activity in the market. In total we estimate that there were 30 changes to key routes in 2006, the majority (75 per cent) of which were positive. In August DFDS acquired Dutch Norforkline Containers BV. This resulted in a termination of the previous vessel sharing arrangement with Geest North Sea Line who shortly after were subsequently acquired along with Seawheel by the rapidly expanding Samskip.

Traffic Outlook

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TABLE 15

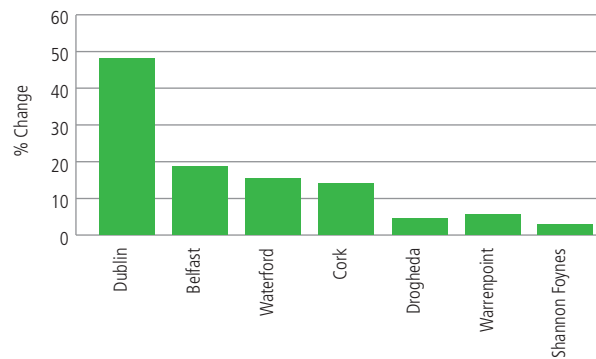
Container Traffic by Port 2006

Number of TEUs	2005	2006	% Change	% Share
Dublin	590,367	680,680	15%	49%
Waterford	181,309	184,857	2%	13%
Cork	167,300	185,002	11%	13%
Drogheda	48,138	34,848	-28%	3%
Shannon Foynes	9,289	18,430	98%	1%
Total ROI	996,403	1,103,817	11%	79%
Belfast	217,000	244,871	13%	18%
Warrenpoint	23,149	41,948	81%	3%
Total NI	240,149	286,819	19%	21%
Total Ireland	1,236,552	1,390,636	12%	100%

Source: Individual Ports

GRAPH 15A

Market Share - Container Traffic 2006



Source: Individual Ports

GRAPH 15B

10 Year Trend of LoLo Traffic through Irish Ports

Number of TEUs	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Dublin	290,564	327,884	381,334	422,927	440,892	449,406	435,451	456,027	495,862	540,779	590,367	680,680
Drogheda	4,585	4,232	3,617	3,311	3,843	8,487	45,121	63,000	61,392	48,373	48,138	34,848
Waterford	149,779	131,020	61,345	85,967	105,896	131,518	140,579	147,166	175,049	180,216	181,309	184,857
Cork	59,091	64,930	84,183	97,835	115,495	120,740	117,703	121,279	137,246	155,081	167,300	185,002
Total ROI	504,019	528,066	530,479	610,040	666,126	710,151	738,854	787,472	869,549	924,449	987,114	1,085,387
Belfast	79,516	80,861	80,120	117,456	118,904	121,585	111,462	114,908	128,000	229,000	217,000	244,871
Warrenpoint				17,357	16,285	15,733	9,267	14,910	9,712	11,232	23,149	41,948
Total NI	79,516	80,861	80,120	134,813	135,189	137,318	120,729	129,818	137,712	240,232	240,149	286,819
Total All Ireland	583,535	608,927	610,599	744,853	801,315	847,469	859,583	917,290	1,007,261	1,164,681	1,227,263	1,372,206

Source: Individual Ports

COMMENT

The Irish roll-on/roll-off (ro/ro) market (measured by the number of trailers handled) experienced further resilient volume growth in 2006. The total throughput at ports in the Republic was 873,000 units, an 8 per cent increase on 2005. This latest figure represents a doubling of volume throughput at Irish ports over the past decade. Combined volume growth at Northern Irish ports was slightly less at 4 per cent, 854,000 units. The total volume growth in the all Ireland market for 2006 was 6 per cent at 1.72 million trailers. The overall distribution of market share is split almost 50/50 between ports in the North of Ireland and the Republic, this compares to just over a decade ago when about 2/3rd of all ro/ro traffic was routed via the Northern Irish ports.

Both Dublin and Rosslare port recorded double digit growth of 10 per cent and 14 per cent respectively. The Irish central corridor in particular witnessed significant capacity changes in

2006. In the republic 79 per cent of ro/ro traffic was routed via Dublin Port. Elsewhere, Dun Laoighaire Port recorded a 39 per cent drop in volumes which was mainly due to reduced sailings by Stena of its HSS service, although the company added additional freight capacity on its Dublin to Holyhead service in mid 2006. The Port of Cork also experienced a fall in its trailer business, primarily as a result of the incumbent operator Swansea-Cork Ferries announcing the withdrawal of its service in the middle of the year. A replacement operator has been secured and we expect the volumes on this route to return to normal in 2007.

Traffic Outlook

TABLE 16

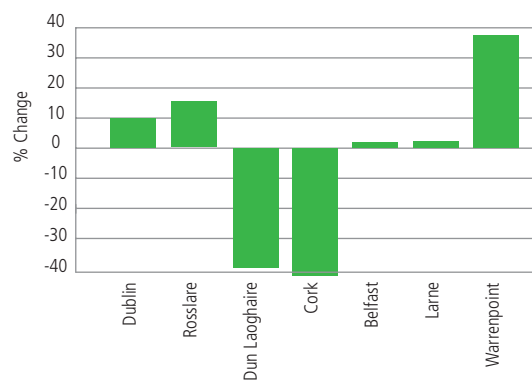
Roll-on/Roll-off Freight Traffic 2006

Number of Freight Trailers	2005	2006	% Change	% Share
Dublin	629,747	692,992	10%	
Rosslare	137,182	156,515	14%	
Dun Laoghaire	31,005	18,999	-39%	
Cork	7,707	4,558	-41%	
Total ROI	805,641	873,064	8%	51%
Belfast	338,370	342,656	1%	
Larne	418,954	424,468	1%	
Warrenpoint	63,889	87,539	37%	
Total NI	821,213	854,663	4%	49%
Total Ireland	1,626,854	1,727,727	6%	

Source: Individual Ports

GRAPH 16A

Roll-on/Roll-off Freight Performance 2006



Source: Individual Ports

TABLE 16B

RoRo Freight Traffic Trend by Port 1995-2006

Number of Freight Trailers	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Dublin	205,311	340,983	378,101	398,636	451,161	489,669	528,036	554,496	570,789	608,088	629,747	692,992
Rosslare	73,589	70,147	74,916	92,125	100,629	100,950	106,064	30,335	34,745	121,493	137,182	156,515
Dun Laoghaire	40,713	14,695	32,663	42,029	40,419	39,080	35,820	3,712	4,529	29,787	31,005	18,999
Cork	6,412	6,104	5,581	6,207	5,994	3,940	3,777	104,718	112,010	5,895	7,707	4,558
Belfast	167,037	282,604	310,277	330,486	337,276	349,857	332,817	329,747	331,880	340,000	338,370	342,656
Larne	375,077	280,099	273,650	299,404	310,856	322,375	348,222	384,617	382,361	404,051	418,954	424,468
Warrenpoint	59,573	22,757	45,768	49,258	48,564	52,273	48,139	55,511	55,953	58,498	63,889	87,539
Total	927,712	1,017,389	1,120,956	1,218,145	1,294,899	1,358,144	1,402,875	1,463,136	1,492,267	1,567,812	1,626,854	1,727,727

Source: Individual Ports

COMMENT

The ro/ro routes between Ireland and the United Kingdom are estimated to have carried a high proportion of the €32 billion worth of merchandise trade between both countries last year. The strategic central corridor route witnessed another year of capacity restructuring and development with growth in additional vessel capacity and increased competition. With the addition of new tonnage, we estimate that freight carrying capacity has increased by 32 per cent in 2006. Irish based operators Celtic Link commenced services on the central corridor at the beginning of 2006 with a new service from Dublin to Liverpool. This brought the total number of ro/ro operators on the central corridor to five. Two of the other incumbent operators Stenaline and P&O also added extra freight vessels to the Dublin-Holyhead and Liverpool routes respectively, most likely as a response to protect market share but also a result of growing market demands. Further additions to route

capacity are expected in the 1st quarter of 2007 with Celtic Link and P&O both expected to add new freight capacity, while Seatruck are scheduled to take delivery of new tonnage in 2007. The Southern Corridor experienced the most growth on a quarterly basis, a contributing factor to this was that towards the end of 2005 Irish Ferries experienced disruptions on the routes due to a strike and therefore in 2006 there were more sailings.

Through our analysis, unaccompanied trailer traffic is growing at a faster rate than accompanied traffic, 10 per cent in 2006. Northern Corridor routes have a higher proportion of unaccompanied freight trailer movements, over 60 per cent more than the Central Corridor. This shows the increasing trend towards unaccompanied freight transported by ro/ro. In spite of additional capacity and overall increase in the in the market, the market share by operator remained largely static.

Traffic Outlook

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TABLE 17

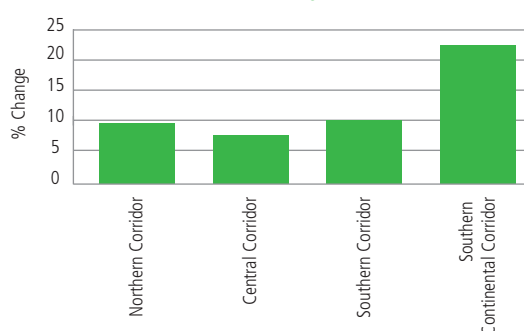
RoRo Freight Traffic by Corridor 2006

Number of Freight Trailers				
	2005	2006	% Change	% Share
Northern Corridor	813,041	890,490	10%	50%
Central Corridor	667,247	715,628	7%	40%
Southern Corridor	130,001	142,944	10%	8%
Southern Continental Corridor	14,732	18,129	23%	1%
Total	1,625,021	1,767,137	9%	100%

Source: Individual Ports

GRAPH 17

RoRo Route Performance by Corridor 2006



Source: Individual Ports

TABLE 18

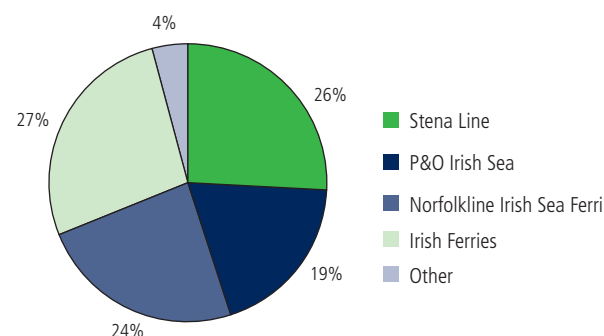
Republic of Ireland roll-on/roll-off Traffic by Route 2006

Number of Freight Trailers			% Share
	2005	2006	
Stena Line	224,800	230,134	26%
P&O Irish Sea	152,203	163,608	19%
Norfolkline Irish Sea Ferries	204,889	210,983	24%
Irish Ferries	210,481	236,953	27%
Other	19,607	35,023	4%
Total	811,980	876,701	

Source: Individual Operators

GRAPH 18

Republic of Ireland Market Share by Operator 2006



Source: Individual Operators

COMMENT

Ports handling cruise vessels recorded increases in the numbers of both cruise vessels and passengers calling to Ireland last year. The total numbers of passengers and crew increased by 15 per cent in 2006 while the total number of vessel calls increased by 21 per cent. The four largest cruise ports, Dublin, Cork, Belfast and Waterford account for over 95 per cent of all the tourist numbers. Of the two larger ports both Dublin and Cork recorded continuous growth of 13 per cent and 15 per cent. Nonetheless smaller regional ports, such as Derry, Killybegs, Glengariff, Portrush and Rathlin also benefited from the smaller bespoke and specialist cruise market which accounted for a further 30 smaller calls.

US passengers still account for more than half, 55 per cent, of all cruise passengers visiting Ireland. Cruise Ireland, an Ireland group lead by the Irish ports but membership of which includes operators, agents and cruise handlers have

been organising trade missions to the United States since 1994. The success of such missions can be partly attributed to the doubling of the size of this market over the last 5 years. The larger ports are optimistic of further levels of modest growth this year, with larger vessels now calling at Irish ports. Later in 2007, the largest cruise vessel operating in European waters, the 153,000 tonne MV 'Independence of the Seas' will call at Cork. The vessel can accommodate more than 4500 passengers, which is equivalent to 35 full Boeing 737 arriving at Cork International airport at one time. According to Cruise Ireland the industry is worth an estimated €60 m to the islands economy. The trend for the global cruise sector remains buoyant with the demand for cruise passenger space exceeding supply on key cruising routes. A further 21 new mega cruise liner vessels costing an estimated \$11 billion are currently confirmed on order.

Traffic Outlook

TABLE 19

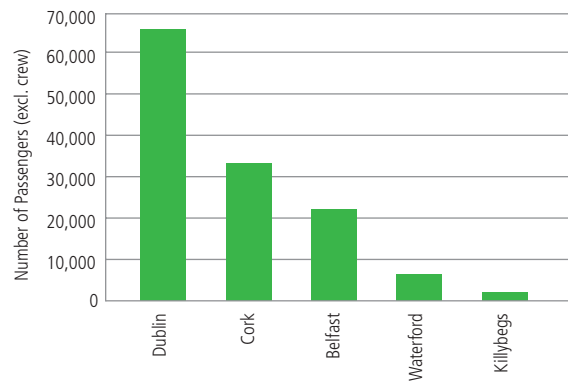
Cruise Traffic by Port 2006

	Number of Visitors		Number of Calls	
	2005	2006	2005	2006
Dublin	57,346	65,000	70	75
Cork	28,700	33,000	32	38
Belfast	36,072	21,496	16	23
Waterford	11,167	6882	16	18
Killybegs	1,762	1,516	5	4
Derry	570		3	2
Bangor				1
Other	750		10	24
Total Crew	27,871	57,858		
Total	164,238	185,752	152	185

Source: Cruise Ireland

GRAPH 19A

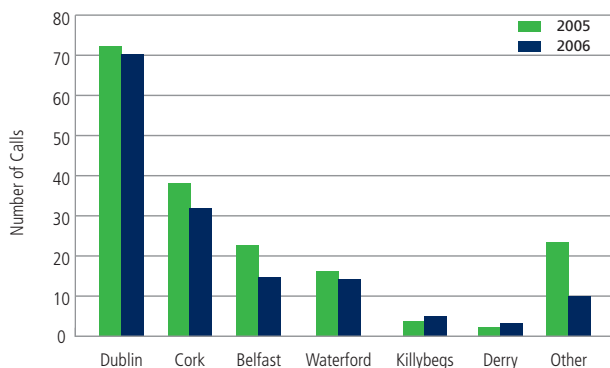
Number of Cruise Passengers by Port 2006



Source: Cruise Ireland

GRAPH 19B

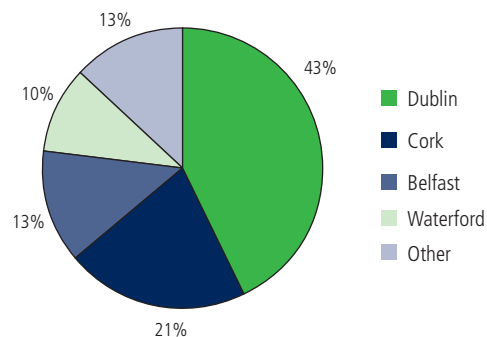
Number of Cruise Calls to Ireland



Source: Cruise Ireland

GRAPH 19C

Market Share of Cruise Traffic by Port 2006



Source: Cruise Ireland

COMMENT

Since 1997 low cost carriers (LCC) have had a major impact on ferry operators by opening up new markets. Due to the aggressive pricing structures they have eroded the traditional Ireland – UK visiting friends and family market. Between 1997 and 2006 passengers travelling by ferry declined 25 per cent resulting in the Ireland – UK ferry market share declining 11 per cent LCC's have also affected the continental routes due to the mushrooming number of flights to regional airports in France. This has had an effect on business from second home owners who travel to the continent several times a year. Overall the number of passengers travelling by ferry has dropped from 3.5 million passengers in 2005 to just over 3 million in 2006. 2006 has seen expansion of ro-ro capacity particularly on the freight side, Irish Ferries passenger numbers were down 5 per cent

in 2006 despite more sailings when compared to 2005, where strikes reduced the sailings. Sailings of Stena's HSS Explorer from Dun Laoghaire have been cut to reduce costs. They have introduced the Seatrader, a large ro-pax vessel, from Dublin. On the Dun Laoghaire – Holyhead route passenger numbers have declined by 10 per cent, on the other hand passenger numbers on the Dublin – Holyhead (Stena Seatrader) has increased by 22 per cent. In October 2006 Swansea Cork Ferries ceased operations on the Swansea – Cork route. This service has since been reinstated by a new operator. Overall in the ferry passenger market it is not all doom and gloom, many operators are making significant changes to their operators to compete with low cost carriers. Many operators are adopting the low cost model to their own operations.

Traffic Outlook

page 25

TABLE 20

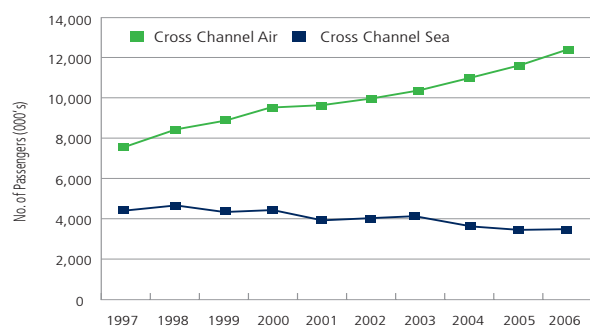
Sea and Air Passenger Traffic (000's) Passengers

Route	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	% Change '97 – '06
Total Cross Channel	10,770	12,041	13,148	13,372	13,592	13,274	13,794	14,002	14,477	15,059	15,466	28%
Cross Channel Air	6,863	7,726	8,557	9,029	9,378	9,395	9,876	10,203	10,810	11,685	12,243	58%
Cross Channel Sea	3,907	4,315	4,591	4,343	4,214	3,879	3,918	3,799	3,667	3,374	3,223	-25%
Total Continental	3,224	3,507	4,101	4,812	5,673	6,318	7,012	7,718	8,546	10,181	12,397	253%
Continental Air	2,906	3,285	3,840	4,544	5,396	6,037	6,699	7,413	8,249	9,898	12,130	269%
Continental Sea	318	222	261	268	277	281	313	305	297	283	267	20%
Total	13,994	15,548	17,249	18,184	19,265	19,592	20,806	21,720	23,023	25,240	27,863	79%
Total Cars	791	856	965	958	986	899	955	949	912	866	839	-2%
Cross Channel Sea	722	808	901	890	913	825	872	867	836	788	761	-6%
Continental Sea	69	48	64	68	73	74	84	82	76	78	78	63%

Source: Failte Ireland

GRAPH 20A

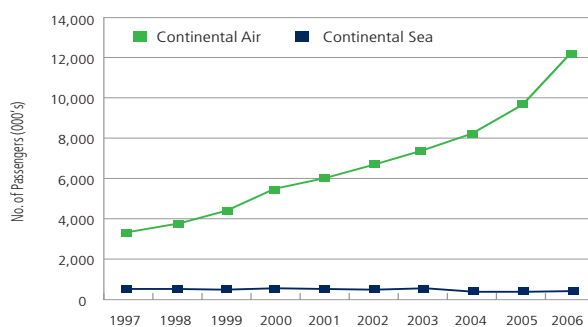
Cross Channel Passenger Sea and Air Traffic



Source: Failte Ireland

GRAPH 20B

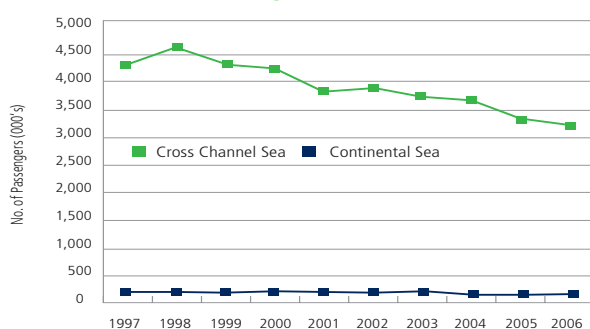
Continental Passenger Sea and Air Traffic



Source: Failte Ireland

GRAPH 20C

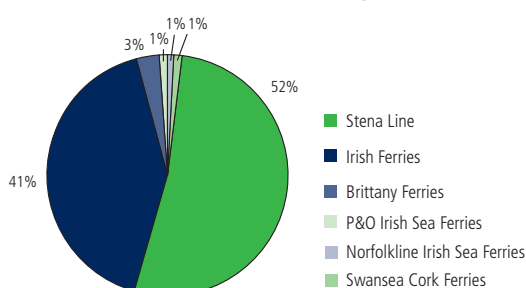
10 Year Trend in Passenger Travel



Source: Failte Ireland

GRAPH 20D

Market Share of Cruise Traffic by Port 2006



Source: Failte Ireland



Market Outlook

COMMENT

The average transport rates for ro/ro import trailers for 2007 show an overall increase of 19 per cent for all the collection centers we have on our list. A closer examination however shows that the increases for nearer points i.e. Amsterdam, Brussels, Cologne, Luxembourg and Paris are only 10 per cent while the remaining collection centers show an increase of approximately 24 per cent. Export trailer costs for 2007 also show an increase in the order of 20 per cent on average and this increase is consistent for all the destinations listed regardless of distance from Ireland. These increases reflect the escalating costs of fuel and drivers, associated with accompanied services.

Export freight transport costs moving via containerised services are set to increase in 2007 by 6 per cent. Import services are also increasing by the same amount. In 2006 the corresponding figures were 3 per cent and 9 per cent respectively.

The cost comparison of export services, as a percentage of import services reflects the imbalance of this country's

exports/imports. Over the years 2003 to 2007 this relationship is somewhat erratic for ro/ro services: - In 2005 export trailers costs were 74 per cent and for 2007 the figure is 80 per cent. The equivalent figures for lo/lo has remained remarkably consistent over the same period. In 2005 export container services costs were 70 per cent of an import movement and for 2007 the figure is 71 per cent. The survey for 2007 shows a continuing divergence between the costs of lo/lo and ro/ro services, with containerised transport offering substantially lower rates than trailer services for the destinations listed. However, the situation appears to be that until such time as European railroads can offer guaranteed services approaching the levels of those offered by driver accompanied services, shippers and receivers are prepared to pay the extra.

Disclaimer: Rates shown here is only a guide as to the price trend and are not actual prices

Market Outlook

TABLE 21

International Door-to-Door Trailer Rates 2006/2007

Route	2006		2007		% Change	
	Import	Export	Import	Export	Import	Export
Ireland-Amsterdam	2,187	1,555	2441	1897	12%	22%
Ireland-Barcelona	3,150	2,487	4055	3187	29%	28%
Ireland-Berlin	2,805	2,225	3642	2895	30%	30%
Ireland-Bern	2,925	2,500	3560	2762	22%	10%
Ireland-Brussels	2,150	1,562	2384	1845	11%	18%
Ireland-Budapest	3,460	2,980	4206	3437	22%	15%
Ireland-Cologne	2,417	1,820	2799	2182	16%	20%
Ireland-Copenhagen	2,925	2,408	3650	2972	25%	23%
Ireland-Luxembourg	2,445	1,687	2515	1896	3%	12%
Ireland-Milan	3,225	2,592	3790	3077	18%	19%
Ireland-Paris	2,207	1,575	2398	1922	9%	22%
Ireland-Prague	3,410	3,031	3710	3185	9%	5%
Ireland-Vienna	3,006	2,526	3840	3127	28%	24%
Ireland-Warsaw	3,380	2,800	4264	3510	26%	25%
Average					18%	20%

Source: Irish International Freight Association - IIFA Jan 2007

TABLE 22

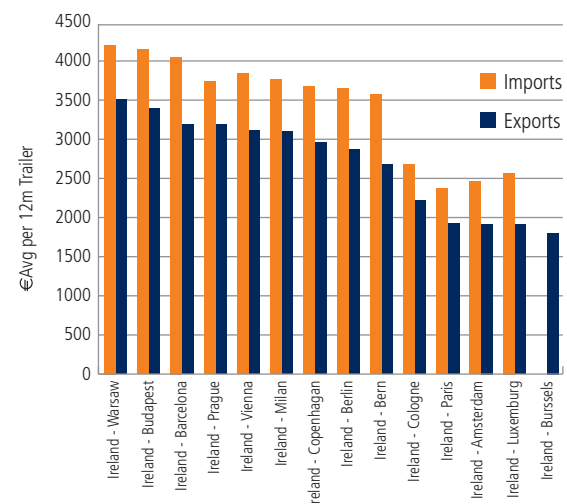
International Door-to-Door Container Rates 2006/2007

Route	2006		2007		% Change	
	Import	Export	Import	Export	Import	Export
Dublin-Amsterdam	1,240	631	1223	670	-1%	6%
Dublin-Barcelona	1,959	1,622	2110	1470	8%	-9%
Dublin-Berlin	2,077	1,290	2115	1520	2%	18%
Dublin-Bern	2,210	1,630	2073	1477	-6%	-9%
Dublin-Brussels	1,222	687	1202	664	-2%	-3%
Dublin-Budapest	2,400	1,829	2719	2051	13%	12%
Dublin-Copenhagen	2,175	1,422	2629	1706	21%	20%
Dublin-Luxembourg	1,482	987	1607	1000	8%	1%
Dublin-Milan	2,177	1,452	2370	1822	9%	25%
Dublin-Paris	1,330	858	1393	992	5%	16%
Dublin-Prague	2,160	1,580	2343	1676	8%	6%
Dublin-Vienna	2,410	1,830	2450	1764	2%	-4%
Dublin-Warsaw	2,544	2,080	2699	2205	6%	6%
Average					6%	7%

Source: Irish International Freight Association - IIFA Jan 2007

GRAPH 21

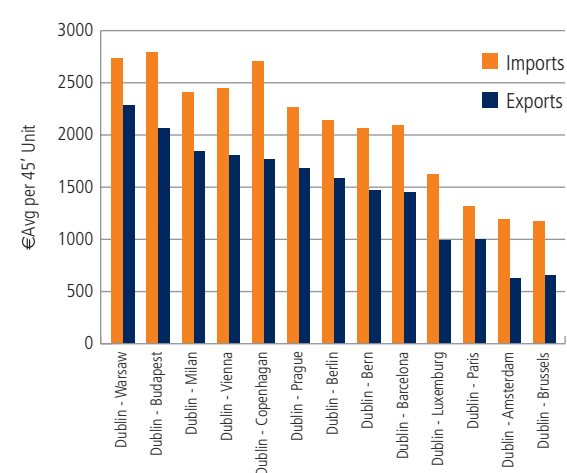
International Door-to-Door Trailer Rates 2007



Source: IIFA

GRAPH 22

International Door-to-Door Container Rates 2007



Source: IIFA

COMMENT

TRANSATLANTIC TRADE: The US year-on-year GDP growth in Q3 2006 fell to 3 per cent coupled with an increasing balance of payments deficit has adversely affected the strength of the dollar therefore making overseas purchases that much more expensive. It is estimated that by the end of 2006 over 4 million TEU's will have moved between Europe and the US with over half that moving eastbound. Growth on the westbound routes has been strong spurred on by the strengthening Euro economy and the recovery of the German economy. However with increased VAT in Germany (the largest market) this is a blow to future imports on the eastbound tradelane. Global Insight predicts a decline in growth levels for 2007, westbound 4.6 per cent growth and eastbound 5.1 per cent growth. As with 2006 this indicates that the smaller volume eastbound tradelane is growing at a faster rate. **FREIGHT RATES:** The freight rate market is in a state of flux with a mixed bag again of results

this year. Transatlantic westbound rates moved downwards for the first time in over 3 years. On the main westbound transatlantic tradelane from Northern Europe the average freight rate declined by 3 per cent on the same period in 2005 to \$1,762 per TEU. According to carriers on the Trans Atlantic Conference Agreement most of the decrease in rate in Q4 2006 was due to a mini rate war which was sparked by a new service adding unwanted vessel capacity. On the less dominant eastbound tradelane rates grew by 6 per cent on the same period last year to \$1,066 per TEU. Average growth per quarter was 1.4 per cent with the highest growth in the freight rates in Q3. According to Piers Maritime Research Services the plummeting value of the US dollar against the Euro and Sterling is beginning to have a beneficial impact on ocean carriers in terms of the rates.

Market Outlook

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TABLE 23

Europe and North America Trade in TEU 2002-2009

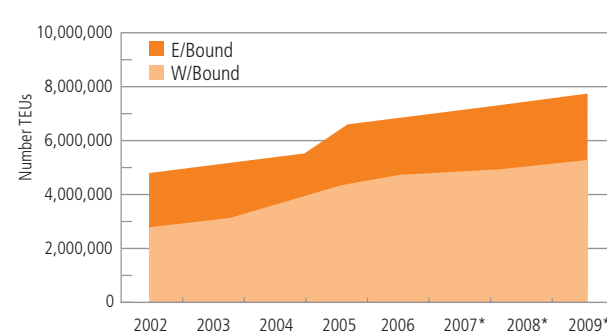
(Number TEUs)				
Date	W/bound	Change	E/bound	Change
2002	2,906,000		1,697,000	
2003	2,955,000	2%	1,718,000	1%
2004	3,184,000	8%	1,700,000	-1%
2005	3,981,000	25%	2,501,000	47%
2006	4,202,000	6%	2,589,000	4%
2007*	4,396,000	5%	2,721,000	5%
2008*	4,563,000	4%	2,833,000	4%
2009*	4,841,000	6%	2,917,000	3%

Source: Containerisation International

*Forecast by Global Insight

GRAPH 23

Europe and North America Trade in TEU 2002-2009



Source: Containerisation International

TABLE 24

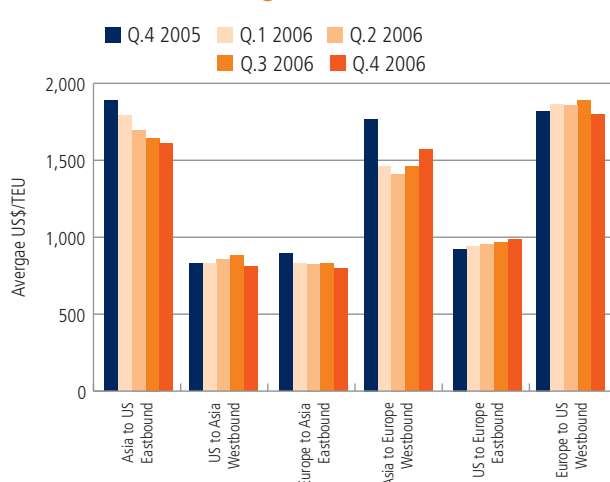
Inter-Continental Freight Rates 2006

Average \$US Per TEU						Change
	Q4 2005	Q1 2006	Q2 2006	Q3 2006	Q4 2006	Q4/Q4
Asia to US Eastbound	1,878	1,836	1,753	1,715	1,671	-11%
US to Asia Westbound	800	815	828	839	777	-3%
Europe to Asia Eastbound	825	793	804	806	792	-4%
Asia to Europe Westbound	1,709	1,454	1,408	1,494	1,545	-10%
US to Europe Eastbound	1,009	995	1,010	1,041	1,066	6%
Europe to US Westbound	1,815	1,829	1,829	1,854	1,762	-3%

Source: Containerisation International

GRAPH 24

Inter-Continental Freight Rates 2006



Source: Containerisation International March 2005

COMMENT

CONTAINER MARKET: Container vessel time charter rates continued to decrease in 2006 as high trade growth was outpaced by even higher 2006 fleet additions and market concern about the newbuilding orderbook. Newly Industrialising Asian countries 2006 container port throughput grew by about 11 per cent with about 10 per cent growth forecast for 2007. OECD import growth was estimated at 8 per cent in 2006. Only 5.5 per cent growth is forecast for OECD imports in 2007. Feeder and feedermax time charter rates fell by about 12-13 per cent from January to December 2006 and have remained stable in 2007. Handy 1,000 TEU and 1,700 TEU vessel time charter rates fell by 14 per cent and 30 per cent respectively, but have recovered by an average 6 per cent and 15 per cent in the first three months of 2007. Forecast industry fleet growth of about 15 per cent of capacity (1.5m TEU's) for 2007 and reduced trade growth to the U.S. are factors in current time charter rates, with any

improvement or worsening of U.S. trade versus forecast likely to produce corresponding effects on time charter rates.

CONTAINER PRICES: The demand for new containers has been strong during 2006. The cost of corten steel, that makes up to 50 per cent of the price of a finished box climbed to an average rate of USD600 per tonne in Q4 2006. 20 ft and 40ft standard container prices increased over 2006 by 9 per cent to US\$1,850 and US\$2,960 respectively compared to Q4 2005. New reefer container prices continued to climb in 2006 on the back of a rise in the cost of stainless steel and machinery prices, by an average of 4 per cent since 2005. There was also a strengthening in the box lease rates. Dry containers 20ft and 40ft prices rose by an average of 6 per cent when compared to 2005. However rates for reefers slipped, with the rate of US\$7 in Q4 2006 close to the all-time low point for these containers.

Market Outlook

TABLE 25

Container One-Year Charter Rates

US \$ Per day Date	Feeder 350 teu	Feedmax 725 teu	Handy 1000 teu	Handy 1700 teu
Jan-06	6,850	10,250	12,750	18,250
Feb-06	6,600	10,000	12,500	17,750
Mar-06	6,400	9,800	12,000	17,500
Apr-06	6,500	10,000	12,200	18,500
May-06	6,500	10,250	12,900	19,000
Jun-06	6,300	10,100	13,000	19,000
Jul-06	6,100	10,000	13,000	19,000
Aug-06	6,000	9,900	12,750	18,450
Sep-06	6,100	9,900	12,300	17,000
Oct-06	6,100	9,400	12,200	14,500
Nov-06	6,100	9,200	11,600	13,200
Dec-06	5,950	9,000	11,000	12,800
Jan-07	5,950	8,900	11,500	14,300
Feb-07	6,000	9,000	11,800	15,000
Mar-07	6,000	9,000	11,800	15,000

Source: Clarksons

TABLE 26

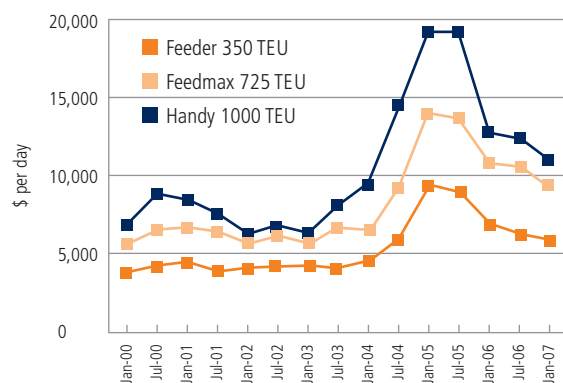
Container Purchase & Lease Prices 2006

	New container prices (China ex-factory) \$US					Change Q4/Q4
	Q.4 '05	Q.1 '06	Q.2 '06	Q.3 '06	Q.4 '06	
GP - 20ft	1,700	1,450	1,850	1,950	1,850	9%
GP - 40ft	2,720	2,320	2,960	3,120	2,960	9%
GP-40ft HC	2,860	2,450	3,150	3,300	3,150	10%
IR - 20ft	14,200	13,800	14,000	14,200	14,500	2%
IR - 40ft HC	17,500	17,200	17,500	17,800	18,500	6%
	Container Term Lease Rates (\$US per day)					Change Q4/Q4
	Q.4 '05	Q.1 '06	Q.2 '06	Q.3 '06	Q.4 '06	
GP - 20ft	0.65	0.55	0.70	0.73	0.70	8%
GP - 40ft	1.05	0.88	1.10	1.15	1.10	5%
GP - 40ft HC	1.10	0.93	1.20	1.25	1.20	9%
IR - 20ft	5.80	5.50	5.50	5.50	5.60	-3%
IR - 40ft HC	7.00	6.70	6.80	6.80	7.00	0%

Source: Containerisation International

GRAPH 25

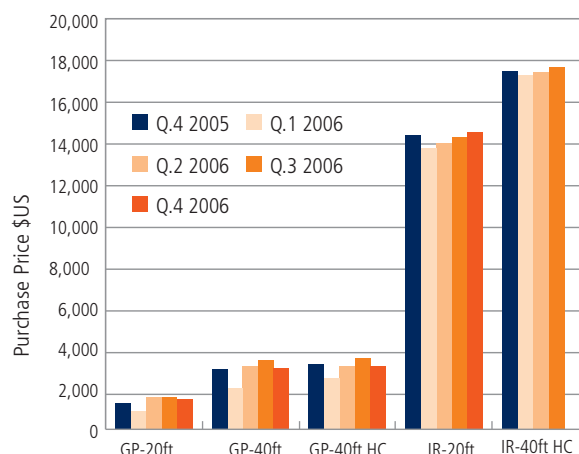
Container Vessel 6-12 Months Time Charter Rates



Source: Clarksons

GRAPH 26

New Container Prices 2006



Source: Containerisation International

COMMENT

TANKER MARKET: Growth in oil demand and long haul oil imports in key markets resulted in high tanker earnings in 2006 and 2007. Decreases in oil demand in North America and Europe in 2006 were more than offset by growth in China and other developing countries. Chinese oil demand is estimated to have grown 0.47 mbd in 2006 with growth of 0.44 mbd projected for 2007. U.S. oil demand decreased by 0.13 mbd in 2006, with a return to growth of 0.34 mbd forecast for 2007. Crude tanker time charter rates remained at high levels in 2006, with VLCC one year time charter rates averaging \$58,300 per day. January-March 2007 time charter rates averaged only \$51,500 per day as OPEC cuts and refinery outages reduced demand. Handysize clean product tanker time charter rates remained at high levels, averaging \$27,000 per day in 2006 Atlantic product tanker markets improved in February and March as US imports returned to higher levels but January-March 2007 time charter remained at

about \$25,000 per day due to weaker Pacific markets and forecast fleet growth.

Note: Tanker time charter rate bases have been updated to reflect industry trends.

DRY BULK MARKET: Continued growth in iron ore and coal trade are driving high dry bulk markets in 2006. After slow growth in the first half of 2006 (1H06), high Chinese imports of iron ore and other dry bulk commodities returned in 2H06 and 2007 and have been supported by commodity trade growth elsewhere. In 2006, dry bulk vessel contracting reached a record high 39.5 m dwt, including 8.9 m dwt of Handymaxes and 5.2 mdwt of Handysizes. Handymax one year time charter rates increased from an average \$17,000 per day in 1H06 to an average \$26,600 per day in 2H06. Handymax and Handysize vessel demand has been boosted by growth in steel products trades in Asia and Europe.

Market Outlook

page 31

TABLE 27

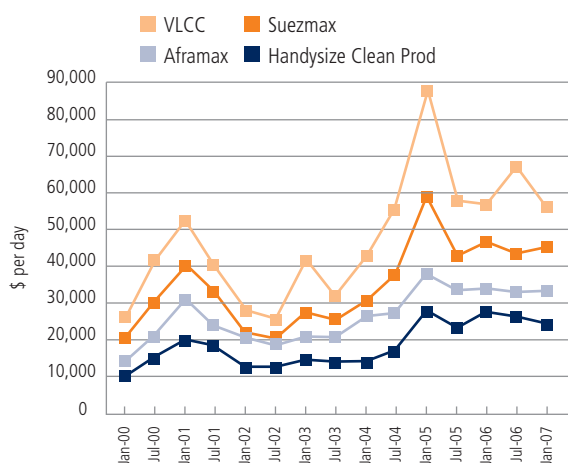
Tanker 1 Year Time Charter Rates

US \$ Per day Date	Handysize Clean Prod	Aframax	Suezmax	VLCC
Jan-06	29,000	33,750	42,000	53,750
Feb-06	28,000	34,000	41,000	55,125
Mar-06	26,200	31,600	39,800	53,000
Apr-06	23,250	30,000	39,000	50,000
May-06	25,000	30,000	39,000	50,000
Jun-06	26,200	31,000	40,600	55,000
Jul-06	28,000	33,625	44,250	64,375
Aug-06	29,250	35,000	47,500	67,500
Sep-06	29,800	36,000	50,000	70,000
Oct-06	27,875	35,250	46,500	65,500
Nov-06	26,000	34,125	44,250	60,500
Dec-06	25,500	33,400	44,000	55,000
Jan-07	25,250	34,000	45,000	53,625
Feb-07	25,000	34,000	43,500	51,000
Mar-07	25,000	32,700	42,600	50,000

Source: Clarksons

GRAPH 27

Tanker 1 Year Time Charter Rates



Source: Clarksons

TABLE 28

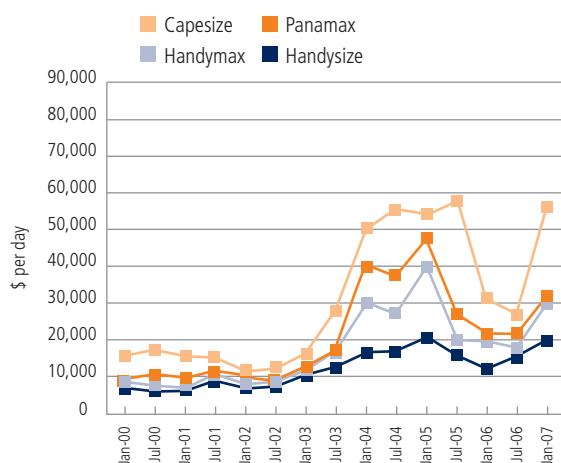
Dry Bulk 1 Year Time Charter Rates

US \$ Per day Date	Capesize	Panamax	Handymax	Handysize
Jan-06	25,000	15,938	15,538	11,188
Feb-06	26,000	15,625	15,363	11,050
Mar-06	26,300	16,650	16,380	11,100
Apr-06	26,625	15,919	16,825	11,625
May-06	25,488	16,000	18,250	12,725
Jun-06	28,750	18,450	19,800	14,000
Jul-06	35,938	21,469	22,188	15,163
Aug-06	50,000	27,750	24,938	16,225
Sep-06	50,000	29,800	27,750	17,800
Oct-06	51,000	28,813	28,250	18,563
Nov-06	51,563	28,438	28,250	18,250
Dec-06	50,950	29,550	27,950	18,250
Jan-07	53,625	31,000	29,188	19,125
Feb-07	54,125	31,063	29,313	19,188
Mar-07	59,800	33,850	30,850	20,500

Source: Clarksons

GRAPH 28

Dry Bulk 1 Year Time Charter Rates



Source: Clarksons

COMMENT

Newbuilding orderbooks reached 337 million dwt, a new record high. 2006 contracting returned to record levels at 155 mdwt. 2007 contracting is close to 2006 levels, totalling 23 mdwt at end February. Owners have been accumulating cash (or have access to finance) and are confident after a strong 2005 and 2006.

CONTAINER FLEET: The container vessel sector maintained the high contracting activity of 2004 to 2005, with 2006 contracting at 21.4 mdwt or 1.5 million teu. The container vessel orderbook totals about 4.3 million teu (orders), about 45 per cent of the total industry fleet capacity. About 72 per cent of the orderbook is comprised of orders for large 4000+ teu vessels. Reflecting the preponderance of large vessel orders, orderbook teu capacity is about 50 per cent of the existing fleet capacity for vessels 2,000 teu and larger. For smaller container

vessels under 2,000 teu, the orderbook teu capacity comprises about 26 per cent of the existing fleet capacity.

RO-RO FLEET: In 2006, Stena ordered two firm plus two option vessels from Aker Ostsee at a reported price of Eur 200 million. The vessels deck capacity, with about 5,500 lane metres for trailers and 700 lane metres for cars. Stena also introduced two vessels, the 3,100 lane metre Sea Trader and Stena Transporter. Two more of the vessels are being built at FMV/Baltic Shipyard for 2008 delivery. Polish Steamship Company has reportedly firmed up two 8,000 dwt ropax ferries of 300 passengers, 2,000 lane metres for delivery in 2010 with New Szczecin Shipyard. In Southern Europe, Visentini booked two 2,300 lane metre vessels for Levantina Trasporti for 2008-2009 delivery. Astilleros de Sevilla has just obtained orders for two 3,100 lane metre vessels from Mediterranean Shipping for 2009-2010.

Market Outlook

TABLE 29

World Container Vessel Deliveries and Orders 2006 to 2009 by Vessel Size

Size Range (TEU)	2006 No.	2006 TEU	2007 No.	2007 TEU	2008 No.	2008 TEU	2009 No.	2009 TEU	2007-2009 No.	2007-2009 TEU
100-499	8	2,473	2	438	-	-	-	-	2	438
500-999	59	48,975	106	85,004	53	41,792	23	18,685	182	145,481
1,000-1,999	77	105,392	146	201,283	96	137,857	50	78,125	292	417,265
2,000-2,999	60	161,901	67	173,361	52	137,402	23	60,374	142	371,137
3,000-3,999	21	72,533	34	116,903	23	79,977	19	63,756	76	260,636
4,000+	142	959,194	145	902,110	160	1,002,229	156	1,009,970	461	2,914,309
Total	367	1,350,468	500	1,479,099	384	1,399,257	271	1,230,910	1,155	4,109,266

Source: Lloyd's Register Fairplay

TABLE 30

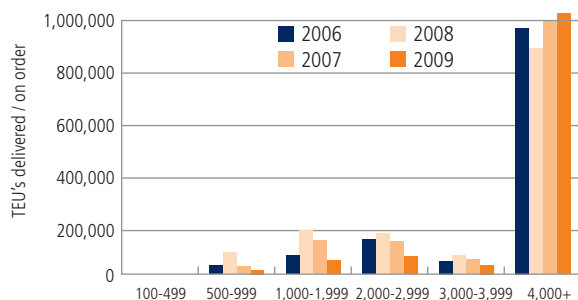
World Roll-on/Roll-off Fleet Orders by Vessel Type 2006

Vessel Type	Yards (2005 Orders)				No. Ships		% Change		Pax	Cars	Lane m	Weight
	Far East	N. Europe	S. Europe	ROW	2005	2006	RoRo Orderbook	\$US m				
RoRo	60	31	20	10	90	121	34%	6,016			368,422	1,616,276 tDW
Hi-Speed					30	43	43%		14,356	2,259		
Ferry	3	27	28	3	43	61	42%	5,043	58,592	10,683		1,192,553 GT
Cruise	0	17	13	1	25	31	24%	17,322	84,322			3,293,046 GT
Total	63	75	61	14	188	256	36%	28,381	157,270	12,942	368,422	

Source: Cruise & Ferry Info

GRAPH 29

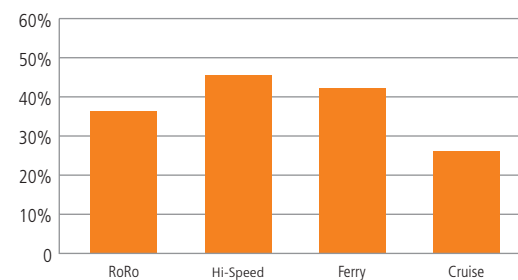
World Cellular Fleet Deliveries/Orders by Size Range



Source: Lloyd's Register Fairplay

GRAPH 30

% Change of RoRo Orderbook 2005-2006



Source: Cruise and Ferry Info



Glossary of Terms

GDP – Gross Domestic Product represents the total value added (output) in the production of goods and services in the country. The rate of growth in GDP measures the increase in the value of output produced in the state, irrespective of whether the income generated by this economic activity accrues to residents of the state or not.

NFI Net Factor Income from the rest of the world is the difference between investment income (interest, profits etc.) and labour income earned abroad by Irish residents persons and companies (inflows) and similar incomes earned in Ireland by non-residents (outflows). The data are taken from the balance of payment statistics.

GNP- Gross National Product is the sum of GDP and NFI. The rate of increase of GNP attempts to capture the increase in the incomes of residents, irrespective of where the activity that generated the income took place. The term ‘resident’ covers not only persons but also firms whose headquarters are located in Ireland.

Constant Prices: The deflator used to generate constant figures is based on the implied yearly price index for the exports and goods and services.

CPI- Consumer Price Index is designed to measure the change in the average level of prices (inclusive of all indirect taxes) paid for consumer goods and services by all private households in the country and by foreign tourists holidaying in Ireland.

MUICP – Monetary Union Index of Consumer Prices: The MUICP is calculated as a weighted average of HICPs of the 12 countries participating in Stage 111 of Economic and Monetary Union (EMU). Country weights are computed every year reflecting the country’s share of private final domestic consumption expenditure in the EMU total.

TEU - Twenty-foot Equivalent Unit

RoRo Units as defined by CSO include HGVs and trailers, unaccompanied trailers, unaccompanied caravans and agricultural and industrial vehicles

Freight Rates shown for Inter-Continental Freight Rates are ‘all-in’, including CAFs and BAFs etc, plus THCs and inland haulage where gate/gate or door/door fixed rates have been agreed

Container Definitions:

GP = general purpose, **HC** = high-cube, **IR** = integral reefer;

GP and IR Lease rates apply to newbuild equipment and cover five-year term; master lease rates for newbuild GP containers are around 100% higher than quoted term lease rates

New GP prices refer to full Corten spec and delivery in central/southern China; IR prices refer to stainless steel spec, including integral machinery & delivery in China

Source: Central Bank of Ireland, Central Statistics Office, Containerisation International.



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IMDO-Ireland
Marine Institute Foras na Mara

Irish Maritime Development Office

80 Harcourt Street Dublin 2 Ireland

telephone 353 1 476 6500 facsimile 353 1 478 4988

e-mail imdo@marine.ie



www.imdo.ie



Irish Maritime Development Office 80 Harcourt Street Dublin 2 Ireland
telephone 353 1 476 6500 *facsimile* 353 1 478 4988
e-mail imdo@marine.ie *website* www.imdo.ie