



The Institute of International Container Lessors
40 Years of Service

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STILL LEASING AFTER ALL THESE YEARS

The Institute of International Container Lessors (IICL), founded in 1971, is the leading trade association for the container and chassis leasing industry. Over that last 40 years, the IICL's membership has engaged in leasing marine cargo containers and chassis to vessel operators and other organizations on a broad international basis.

Active in educational, technological, safety, environmental, and other governmental and regulatory matters, the Institute conducts its business by means of, among others, a Technology Committee and a Tax and Legal Committee comprised of representatives from member companies and through its staff at IICL headquarters. It is recognized as a Non-Governmental Organization (NGO) by the International Maritime Organization (IMO) and is active with the International Organization for Standardization (ISO), World Customs Organization (WCO), the UN Economic and Social Council and the UN Conference on Trade and Development (UNCTAD) as well as other regulatory organizations around the world.

Table with 4 columns and 4 rows of logos: BEACON, DONGFANG, GEseaco, tex, CAI, FLEXI-VAN LEASING, GOLD-CONTAINER, TRAC, CRONOS, FLORENS, SeaCube CONTAINER LEASING, TRITON, TAL INTERNATIONAL.

The IICL is grateful for the opportunity to be of service to the international container and chassis industry and looks forward to another 40 years of supporting the sourcing of equipment to the global transportation industry.

About Containerization

The containerized transportation industry is a major contributor to international and domestic transportation worldwide. Over the past fifty years, the simple concept of transporting cargo from origin to destination in a single large package using multiple modes of transportation without rehandling of the actual cargo contents has revolutionized transportation. General cargo transport by water, truck and rail has been simplified by the introduction of containerization, resulting in increased productivity with reduced operating costs and damage.

In 1956, an entrepreneurial trucker named Malcom McLean, seeking a cost effective alternative to move cargo between New Jersey and Texas loaded 58 trailer bodies onto the World War II vintage tanker, TS Ideal X, marking the start of what we now call “Containerization”.

The 1972 Containerization Yearbook listed Containerization milestones were expected to be achieved that year. Included in the list was the recognition that the global container fleet would, for the first time, pass the one million teuⁱ mark and that containerized ocean carrier service would finally be established on the Europe-Far East trade lane.

Ed Woolley, former President of the IICL, noted during his presentation at the Third Container Technology Conference held in 1980, that the world fleet of containers was approximately three million teus, approximately ten per cent of today’s container fleet.

From these humble beginnings, the container industry has evolved into a sophisticated global transportation system where, in 2011, three million teus of new containers will be constructed, the total world fleet will near thirty million teus, and trade volume will exceed 150 million teus of containerized cargo.

To support this containerized system, the 30 million teus move in more than 14 million vessel teu slots² and transit the world’s communities on roads, railways and waterways carrying a diverse mix of cargo in a safe, secure, efficient and environmentally responsible manner.

The container and chassis leasing industry developed to support containerized trade by offering quality equipment to ocean carriers, shippers, forwarders and others. Today, the leased fleet has a replacement value of approximately \$32 billion for the more than 11 million teus of containers and 375,000 chassis owned or managed by leasing companies.ⁱⁱ

Containers and chassis are available in numerous configurations to meet customer needs. Equipment can be selected by length and height; closed, open-top, or flatrack; dry or liquid cargo suitable; refrigerated, or ambient atmosphere; fixed wheelbase or slider, tandem or tri axle; straight frame or drop frame, or other specifications to meet cargo needs.

The efficiency of containerization for transporting consumer goods and certain raw materials has facilitated the growth of international trade. Significant advancements in packaging and handling have increased productivity and reduced damage resulting in significant growth in cargo volumes. Every container and chassis has a unique alphanumeric identity that can be linked to the owner or operating company. This assists with tracking units associated with specific shipments and permits visibility throughout the supply chain.

About the Container and Chassis Leasing Industry

The international container leasing industry developed in the 1960s to provide an alternative source of containers and chassis to the ocean transportation system. In 1971, container and chassis leasing companies recognized that it could be beneficial to international commerce if an association of leasing companies was established to address safety, quality, customs and tax matters. The IICL was thus incorporated in London, UK, in 1971 by 6 container and chassis leasing companiesⁱⁱⁱ.



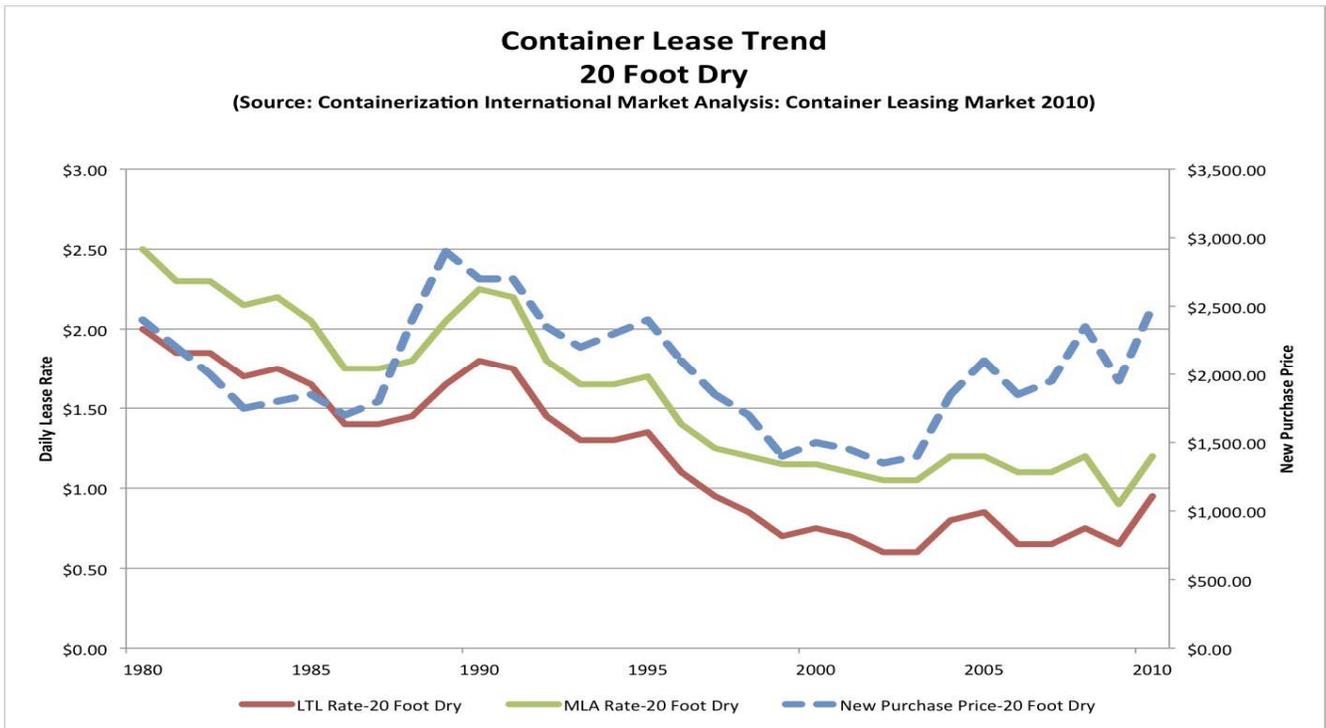
Today, all but one of the original members are survived by successor owners and acquiring organizations (Contrans was absorbed by its ocean carrier parent).

Initially, the primary method of leasing was conducted under Master Lease Agreements (MLAs) where containers were offered to ocean carriers and other customers from multiple locations in container trading countries. MLAs covered a quantity of containers over a specific time period. Emerging container markets were diverse and the US and Europe were developing trade patterns which warranted fleet flexibility. Many ocean carriers were only partially containerized and many utilized containers for a minor portion of their trade.

In 1980, according to Containerization International, *Market Analysis: Container Leasing Market 2010*, the entire world container fleet was 3.1 million teus, which is less than the expected quantity of new containers to be constructed in 2011. The price of a new 20 foot standard dry container was \$2,400.00. The master lease daily rate was \$2.50 and the long-term lease daily rate was \$2.00.

Today, container leasing companies own or manage fleets of more than 11 million teus that are utilized by service providers and others in transportation services worldwide. The major trades are Asia-Centric with Intra-Asian trade leading Asia/Europe, followed by Asia/US trades. Leases are predominantly long-term, giving the lessees, which are primarily ocean carriers, control over their use and routing. Most container trades are mature, with container flows well established. Consumer based trade lanes are generally imbalanced with consumer goods moving from exporting countries exceeding containerized imports.

In 2010, the price of a new 20 foot standard dry container was \$2,500. The long-term lease daily rate was \$0.95 and the master lease daily rate was \$1.20, or less than one half the rates that were in effect 30 years ago^{**}.



During the past 40 years, while much has changed as the container trades and the equipment utilized to support commerce have evolved, the core fundamental principle has remained that leasing companies supply equipment to transportation service providers or cargo owners for their use, under contract law. Containers move freely in the global arena with safety, security and tax issues handled under long established international conventions.

Today, the container transportation industry is essential to the safe, secure and efficient transportation system. Container leasing provides operational and financial benefits through expanded asset access and financial flexibility to lessees. Container availability and manufacturing continues to expand to meet market requirements.

Laws, Regulations, Conventions and Standards

Laws, regulations, conventions, and standards that are applied on both an international and national basis cover container and chassis. Many of the international conventions have been established under the umbrella of the United Nations and its sponsored organizations. National laws and regulations have been developed to apply the international conventions and national requirements.

This treatment has promoted the efficient and effective flow of containerized commerce with certainty throughout the international maritime trade lanes. It has minimized the adverse impact of adverse local laws and maximized the safe, secure and efficient movement of commerce.

Containerization Attributes

Containerization provides a secure and cost-effective method of transportation. Because transportation service providers and cargo owners can use containers across multiple modes of transportation, it is possible to move cargo from a point of origin to a final destination without rehandling the actual cargo contained in the containers. As a result, containerization helps reduce transit time, cargo damage, theft and pilferage as well as freight and labor costs, as containers permit faster loading and unloading of ocean vessels, and inland transport services. While the useful economic life of containers varies based upon damage as well as normal wear and tear suffered by the container, a reasonable estimate of the useful economic life for a dry van container used in intermodal transportation is about 12-13 years.

Containerisation International estimated that at the end of 2010, transportation companies (including container shipping lines and freight forwarders), owned approximately 58% of the total worldwide container fleet and container leasing companies owned approximately 42% of the total worldwide container fleet based on teus.

Leasing Benefits to Lessee

Container leasing provides a number of operational benefits. Lessees are afforded fleet flexibility with the access to equipment on mutually acceptable terms. The ability of lessees to return leased equipment at a specific time rather than the end of the useful life transfers uncertainty and risk to lessors. The outsourcing of new construction oversight, refurbishment and disposal processes permits lessees to focus efforts on their core business of moving cargo.

Financial benefits of leasing afforded to lessees includes the ability to conserve operating capital, enhance lines of credit and improve cash flow as new equipment purchases are a cost of the lessor and amortized over the life of the container.

Long-term leases account for 70% of all equipment under lease. Usually 5 to 8 years in length, the long-term leases are utilized to add capacity to existing services and to support lessees in their fleet expansion, replacement, and renewal requirements. Long-term lease volumes have consistently grown in use for the last 15 years rising from approximately 1 million teus to more than 7 million teus.

Master Lease Agreements, or short-term leases, account for approximately 22% of all equipment under lease. Master leases are primarily umbrella leases where individual containers may be added or removed from the lease on a need basis. Master leases provide greater flexibility in lease parameters, including location-dependent onhire and offhire capabilities. During the last 15 years the master lease program has remained fairly constant at approximately 2 million teus.

One-way leases, or spot leases, make up less than 1% of the leased fleet. One-way leases provide the greatest flexibility and are most dependent on location specifics. Use varies with specific location container availability and demand. Equipment availability is less certain and dependent upon the current economic circumstances of the locations involved.

Financial leases cover around 8% of the lessor owned fleet. Finance leases offer alternative funding source for container operators and users, with an option to purchase the container at the end of the lease term. Container leasing is a contractual business. It functions on a global basis for global

customers. Lease terms and pricing are agreed in contracts, and contract law and arbitration provisions are applicable.

IICL Technical Services

The IICL provides a full array of support activities including technical support through its globally recognized inspection certification program, inspection and repair manuals, inspection tools, training courses, and technical bulletins. Since 1984, the IICL has been offering its highly regarded container inspection certification examination program that provides a measurable level of competency for inspectors involved in the global containerized commerce. The chassis inspection certification program was subsequently added in 1992.

Today, there are more than 3,100 active IICL certified inspectors around the world providing expertise and service to the container and chassis equipment industry.

In addition to the certification exam, the IICL also conducts dry van, refrigerated, and flatrack container, as well as chassis, educational training classes which both support the certification program and add an additional layer of understanding of inspection criteria and repair methods in both a classroom and field practical training environment. Since 1993, more than 1,350 individuals have expanded their skills and knowledge by taking advantage of the courses offered by the Institute.

The Technology Committee is the working arm of the IICL's technical services. It is comprised of member company experts who work towards addressing industry related technical issues. This committee and its various working groups have been instrumental in dealing with a wide range of diverse topics, including container and chassis safety, quality, material strength, flooring and coatings. With the addition of our updated website, the Technology Committee is able to address issues in the way of technical bulletins and information papers on a real time basis and which serves to supplement our many publications. The IICL also participates in all the relevant International and US domestic associations, including the ISO and the IMO, which set standards for all equipment types.

In these challenging times our technical services will continue to be a strong voice in working with industry partners to assure the highest measure of integrity for information and solving problems.

The Institute looks forward to continuing its support of the container and chassis leasing industry, and collaboration with its member's customers, vendors, and business partners in the years ahead.

The Institute of International Container Lessors, Ltd. (IICL) is a trade association, organized in 1971, representing lessors of maritime containers and intermodal chassis. IICL members own or manage approximately 90 percent of the global leased container fleet, representing nearly half of the world container fleet and half of the U.S. chassis fleet operated by ocean carriers, railroads, and other companies. The IICL is active in educational, technological, safety, environmental, and other governmental and regulatory matters. In addition to its widely accepted publications and annual inspector certification examinations, the IICL offers a wide range of educational training courses.

¹ TEU is a twenty-foot equivalent unit, the standard measure of capacity where one twenty-foot container is one teu and one forty-foot container is two teus.

² Source: Containerisation International Market Analysis: Container Leasing Market 2010

³ Contrans, Hamburg, GE; Sea Containers (Sea Containers Limited, London, UK and Sea Containers Inc., Albany, NY, USA and London, UK), UK; Container Transport International (CTI), White Plains, NY, USA; Interpool, Limited, New York, NY, USA; Integrated Container Services (ICS), New York, NY, USA; SSI Container Corporation, New York, NY, USA.

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