



27 May 2011

IMPORTANT CIRCULAR TO OUR VALUED CUSTOMERS

REEF Shipping is pleased to announce to our valued customers a number of significant improvements to our existing *Southern Lily* shipping service.

First, a larger and faster ship is to be introduced into the service. The present 13,000 DWT ship will be replaced with another, 19,000 DWT ship with a service speed of up to 18 knots.

Second, the new ship brings with it the opportunity to add a Fiji call to the service.

It is intended that the new ship's rotation will be Auckland/Suva/Apia/Pago Pago/Nuku'alofa/Auckland. The combination of greater power, speed and size should assure maintenance of its new schedule. The bigger ship will be less prone to adverse weather and sea conditions, and if they do impact on its performance, will have greater reserves of speed to enable time to be made up.

The new ship has capacity close to 1000 TEU (including up to 200 reefers), compared with the existing ship's 568 TEU (and 100 reefers). This means that on top of existing volumes to existing ports, it can readily accommodate the extra volumes to and from Fiji; it will likely still have capacity available for any foreseeable growth in the trades; and it can cope with seasonal spikes in volume.

The revised rotation (last port Nuku'alofa) will also create additional opportunities for Tongan exporters, especially during the height of the squash exporting season.



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Beyond these specific service benefits, the decision to increase the size of ship and the scope of its trades was made in order to try and contain ever-increasing system costs, and to look for any other ways to meet the needs of all of our customers. We recognise that most shippers and importers will be facing many of the same financial challenges we face in operating our ships, and we hope that the larger ship will enable a number of economies of scale, improved efficiencies, and other cost benefits. For example, we expect the ship's cranes to be faster than the present ship's cranes; the new ship's greater number of holds and hatches should also assist higher levels of stevedoring productivity; and the new ship's larger size may also help us towards our standing target of zero cargo damage in transit.

The new ship is expected to arrive in Auckland, and enter service on or about 15 June 2011. The revised schedule going forward will be as follows:

FIJI - SAMOA - AMERICAN SAMOA - TONGA						
VESSEL	VOY	AKL	SUV	APW	PPG	TBU
Southern Lily	274	31/05-02/06	-	07/06	08/06	06/06
Southern Lily 2	275	15-16/06	20-21/06	23/06	24/06	27/06
Southern Lily 2	276	01-02/07	06-07/07	10/07	09/07	13/07
Southern Lily 2	277	17-18/07	22-23/07	25/07	26/07	29/07
Southern Lily 2	278	02-03/08	07-08/08	10/08	11/08	14-15/08
Southern Lily 2	279	18-19/08	23-24/08	26/08	27/08	30/08

Should you require any further information about any aspect of the new ship or its revised service, please do not hesitate to contact your nearest REEF agent.

In the meantime, we thank you for your support to date, and look forward to being of continuing service to you with the new ship.



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