

CECW-PG

MEMORANDUM FOR (SEE DISTRIBUTION)

SUBJECT: Economic Guidance Memorandum 02-06, Deep Draft Vessel Operating Costs

1. The enclosed Deep Draft Vessel Operating cost information is provided for immediate use.
2. All deep draft vessels operating costs have been reanalyzed since the FY00 release. The deep draft shipping industry continues to operate in a period of consolidation and pricing pressure. Industry-wide oversupply continues to result in significant initiatives to reduce operating cost structure. As a result, vessel-operating costs, generally, continue to fall, particularly in the containership category. These trends are documented by major industry research entities, such as Clarkson's Research Studies, Cargo systems, and Drewry shipping consultants.
3. The decrease in costs is largely due to significant decreases in new building prices from FY2000 and FY1999. Shipbuilding prices peaked in the 1991-1992 timeframe and since 1993 have continued to decrease. In the past, both insurance and crew costs decreased for most vessel categories and sizes. In FY2002, crew costs decreased by an average of 3 percent, while insurance costs decreased for most vessel categories and sizes.
4. Questions concerning this memorandum can be addressed to Lillian Almodovar, CECW-PG, (202)761-4233.

FOR THE COMMANDER:

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