

American Association of Port Authorities

Maritime Terminal
Management Training



AGENDA

- Company Overview
- Volume Review
- Import Philosophy
- Port Selection Criteria
- Market Conditions
- Shipper Trends
- Industry Concerns
- California Goods Movement
- Opportunities for MTO's
- Recommendations



Corporation Overview

- Comprised of:
 - Target Stores
 - AMC (Associated Merchandising Corporation)
 - target.direct
 - Guest Credit Services



Corporation Overview

- Target Store Count 1,418
- Operating in 47 states
- Operate 24 Regional DC's and 4 Import Warehouses
- Sales of \$52.6 billion (2005)



Corporation Overview

- Import Gateways
 - Los Angeles/Long Beach
 - Seattle/Tacoma
 - Norfolk
 - Savannah
 - Dallas
 - New York (AMC business)



Volume 2006 (projected)

	<u>Containers</u>
• target.com	4,436
• AMC	1,246
• Target	212,219
• TOTAL	217,901



Top 10 Origin Ports

Ports comprise of 82.7% of total import volume

	<u>2005</u>	<u>2004</u>
Yantian	40.8%	37.9%
Hong Kong	9.1%	13.6%
Shanghai	13.5%	12.5%
Laem Chabang	3.5%	4.3%
Xiamen	3.1%	3.0%
Tianjin	1.6%	2.2%
Kaoshiung	1.3%	2.1%
Qingdao	2.6%	2.1%
Nhava Sheva	2.4%	2.1%
Ningbo	3.9%	2.0%



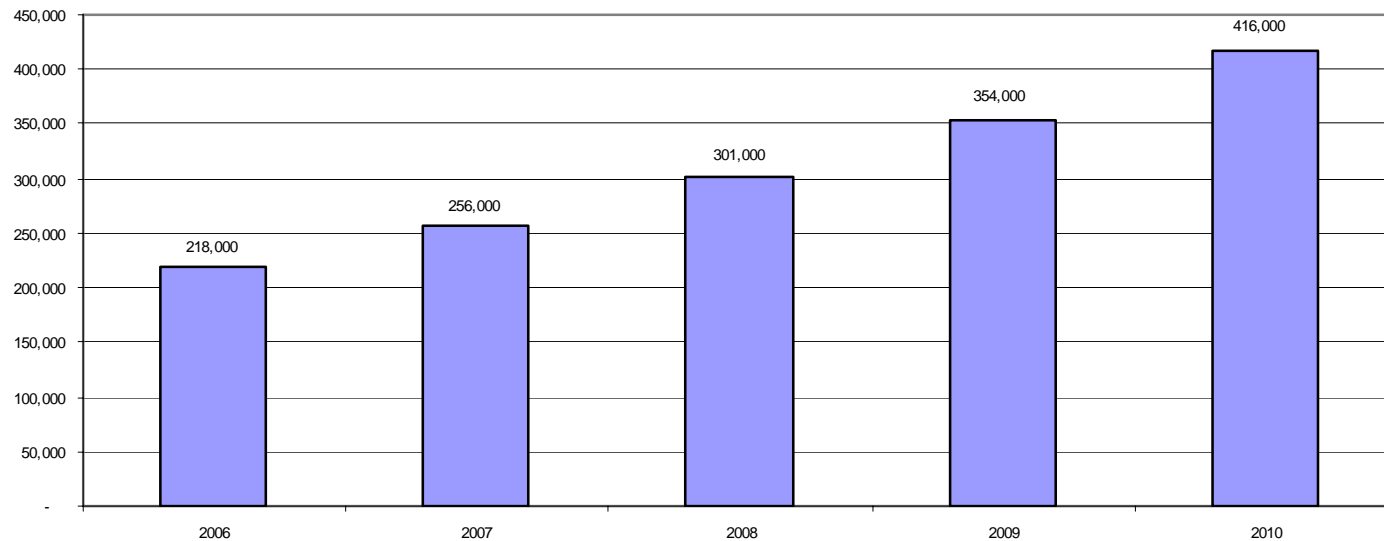
Volume Review

- Currently imports represents approximately 26.6% of our total carton volume
- Volume breakdown
 - 73.5% arrives on the West Coast
 - 24% arrives on the East Coast
 - 2% arrives in Miami
 - .5% arrives in Houston/Dallas



5 Year Volume Projections

Target Corporation 5 Year Volume Projection





Import Philosophy

- Just-in-time retailer
- Merchants order product based on in-store need
- Published shipping grid assists merchants with in-store dates



Import Philosophy

- Grid components
 - Overseas hold
 - Ocean transit time
 - Customs clearance
 - Transload unloading/loading
 - Domestic transit time
 - DC processing time
 - Peak vs. nonpeak timing



Import Philosophy

- Benefits
 - Reduced supply chain inventory
 - Increased turnover
- Operational Guidelines
 - Strive to pickup containers the day of availability
 - Utilize off-hours gates whenever available. (LA pickup 68% of activity off-hours.)
 - Facilities work 24/7. As a result, we need access to volume on a consistent basis.



Port Selection Criteria

- Broad market coverage
- Sailing schedules and frequency
- Transit Times
- Availability of weekend/after hour access
- Technology use for port efficiencies



Port Selection Criteria

- Infrastructure at port
 - On dock rail
 - Deep water vs. continued dredging challenges
 - Access in and out of terminals
 - Freeway access
 - Road congestion/environmental issues
- Involvement by the port with terminals, shippers and ocean carriers



Market Conditions

- The U.S. Economy has been transformed by unprecedented growth in Imports
- Growth in infrastructure and freight transportation productivity have not kept pace with growth
- Rapid growth has caused significant issues in air quality, traffic congestion, environmental impacts to local communities



Market Conditions

- Issues are leading to creation of special interest groups determined to develop solutions that meet their needs
- Lack of trust by community groups
- Efforts lead to a division between stakeholders resulting in unhealthy legislation



Market Conditions

- Transportation's value is not widely understood by the American public
- Many shippers are not informed on the issues or not engaged in addressing issues
- By 2010 75% of ports will have significant capacity issues
- Lack of productivity improvements will significantly impact the supply chain



Shipper Trends

- Shippers moving to alternative gateways due to ongoing congestion issues, lack of new infrastructure (East Coast, Canada, Mexico)
- Shift away from IPI to local trans-load due to increasing rail costs/congestion
- Increases in fees I.E. PierPass are driving shippers to look for alternatives



Industry Concerns Terminal Operations

- Lack of relationship between MTO's and beneficial cargo owners
 - Customers do not understand how an MTO works and vice versa
- Industry volumes are growing at a level of 12-15% annually and no dialogue is taking place between MTO's and cargo owners.



Industry Concerns Terminal Operations

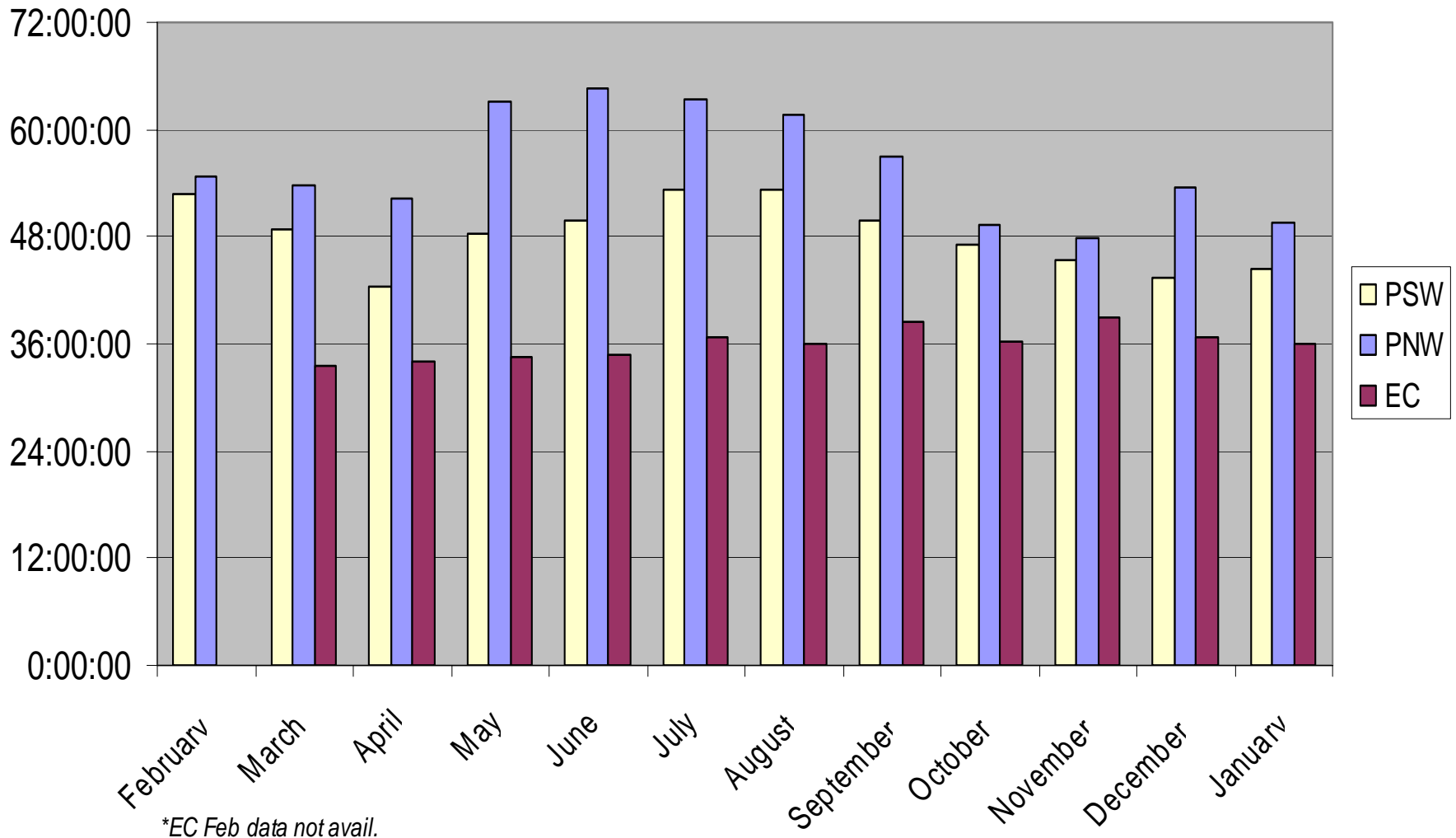
- No real changes being made to address long term growth
- Growing congestion issues in major port markets is not being addressed with those that can impact it the most....
Shippers



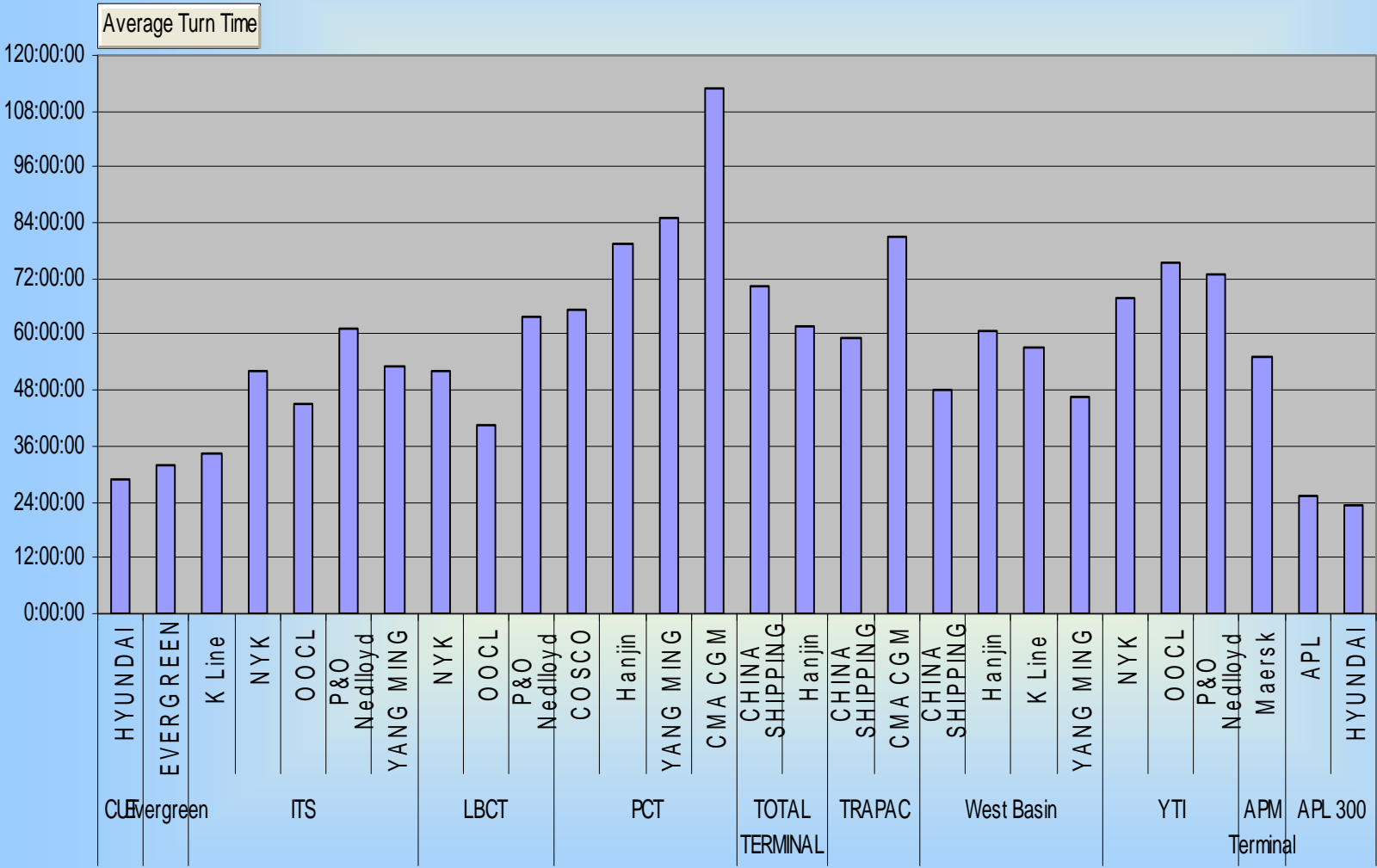
Industry Concerns Terminal Operations

- Increased customer costs due to restrictive gate operations
 - Increased yard space
 - Bobtail expenses
- Excessive driver wait time

Average Turn Times by Port FY 2005



PSW 4th Qtr Average Turn Times

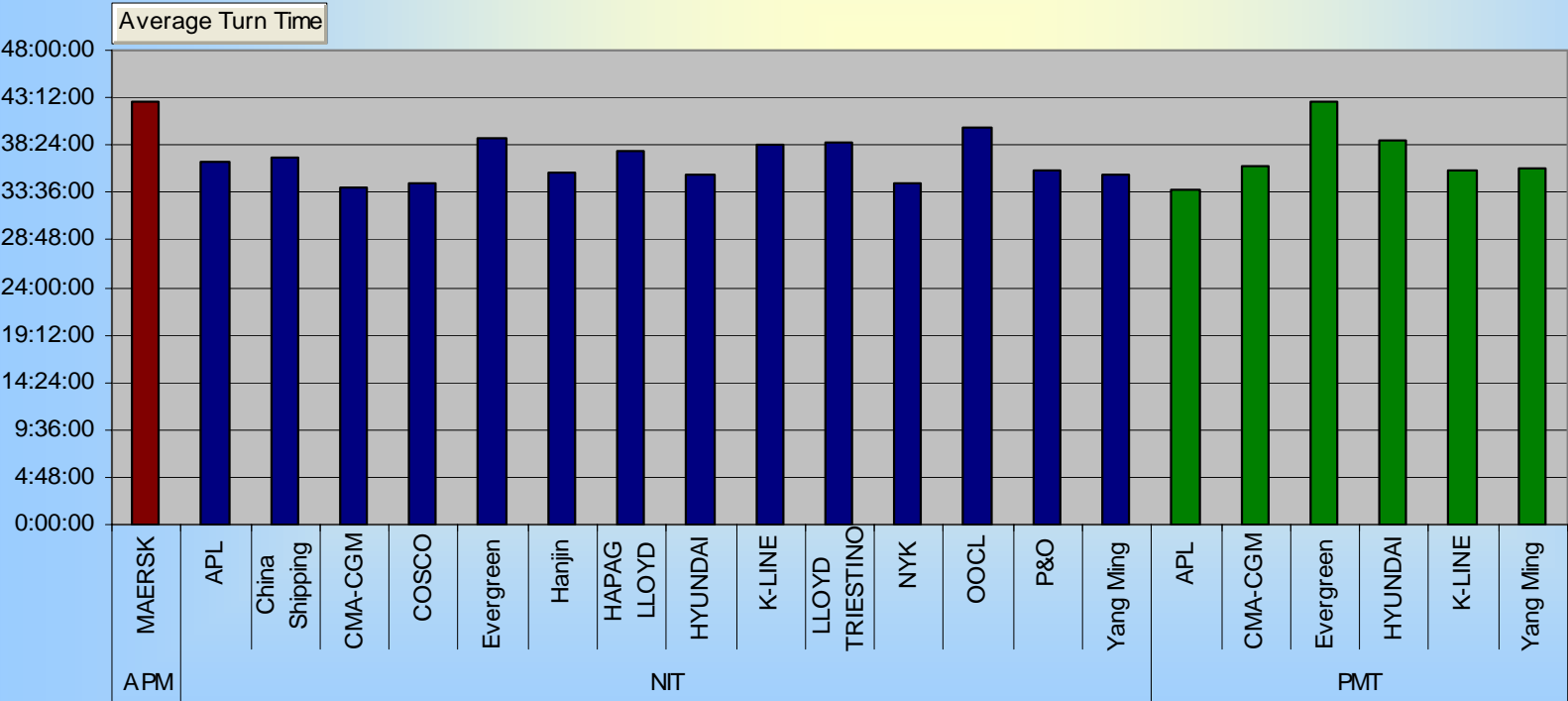


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Month (All) ▼

East Coast 4th Qtr Average Turn Times



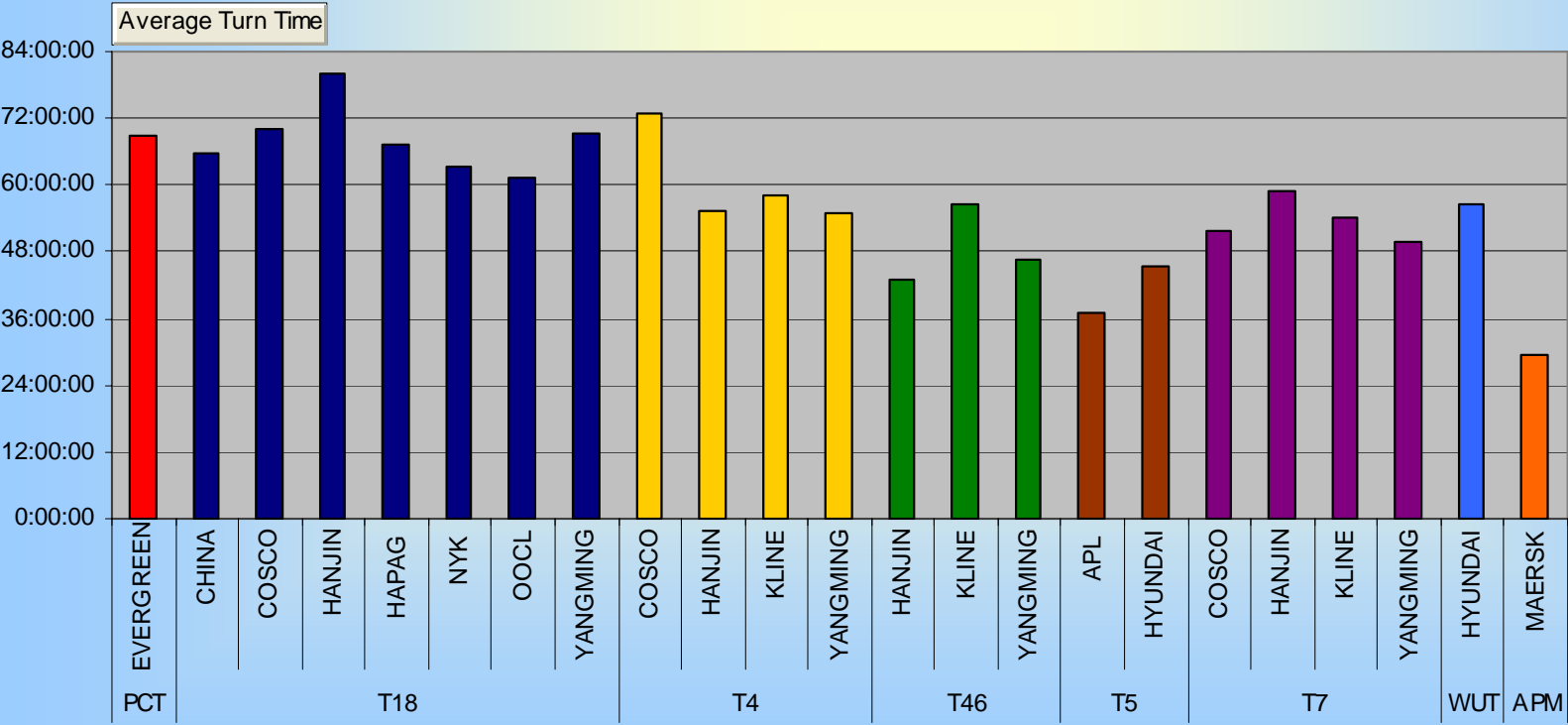
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TERMINAL ▼ OCEAN CARRIER ▼



Month (All) ▼

PNW 4th Qtr Average Turn Times



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California Goods Movement

- Community/Environmental groups driving policy/market decisions
 - Terminal leases
 - Equipment modification
 - Operating practices
- Carriers/MTO's making decisions/business practice changes based on fear



California Goods Movement

- Positive changes are taking place but due to a lack of a unified voice or coordinated effort your good deeds are going unnoticed
- Community/Environmental/Shipper groups have no idea of the positive initiatives taking place or in development
- Unhealthy Legislation ... SB 1829



Opportunities for MTO's

- MTO's need to become familiar with Customers
 - Begin to reach out to key industry shippers to understand shipping volumes, patterns and shifts in sourcing. Incorporate into forecasts.
 - Educate your customers in terminal operations.
 - Differentiate your customers. Reward those who are more efficient than those who are not.



Opportunities for MTO's

- Facilitate quick turn times for drivers
 - Fifty minutes for a dual transaction
 - Measure driver queue time vs. gate in-time for drivers
 - Streamline gate entry process
 - Strive to increase driver satisfaction



Recommendations

- Develop a “Business Practice Intelligence” forum of industry leaders to address infrastructure and environmental solutions
- Group made up of Waterfront Coalition, RILA, PMSA, Railroad Association
- Focus on short and long term solutions



Recommendations

- MTO's and Ocean Carriers have to begin working collaboratively together to address environmental concerns/solutions
- Industry desperately needs a PR campaign
 - Begin to alter image with communities
 - Communicate positive changes in a unified voice
 - Use format to educate public beyond California



Recommendations

- We need to focus on short term solutions that will buy some time while we focus on longer term infrastructure solutions.....
 - Chassis management
 - Investigate use of appointments
 - Mid-week sailings
 - Further reductions in dwell time
 - Increase terminal productivity



Recommendations

- Collaborative efforts like PierPass have addressed legislative efforts and improved congestion however.....
 - Shippers not happy with increases
 - Concern is that we are paying for inefficiencies at some terminals
 - Costs need to be kept in check or shippers loose faith in collaborative process
 - We need to improve communication process



Recommendations

- Collaborative approach to addressing environmental issues.....
 - Alternative fuel use in yard equipment
 - Explore use of low sulfur in vessels
 - Test using emissions controls on vessels
 - Educate shippers/community groups on steps you are taking and the costs
 - Truck emissions reduction task force



Recommendation

Without a coordinated effort between shippers, MTO's and ocean carriers we will continue to face unhealthy legislation and lose our ability to effectively manage our business.....