

Expectations for Port Customers and Clients

Dan Sheehy -NYK Line
AAPA Meeting – October 23, 2008




NYK LOGISTICS
& MEGACARRIER

NYK LOGISTICS

created with
 **nitroPDF** professional
download the free trial online at nitropdf.com/professional

Areas for Review

1. Overview of NYK Line
2. Liner Trade Business
3. Demand versus Supply Outlook
4. Bunker
5. Customer Expectations
6. Challenges Facing Terminals

The NYK Group



- Nippon Yusen Kaisha- Founded 1885
- 2007-08 Revenue: \$25.8 Billion
- 2007-08 Operating Profit: \$1.1 Billion
- 48,000 Worldwide Employees

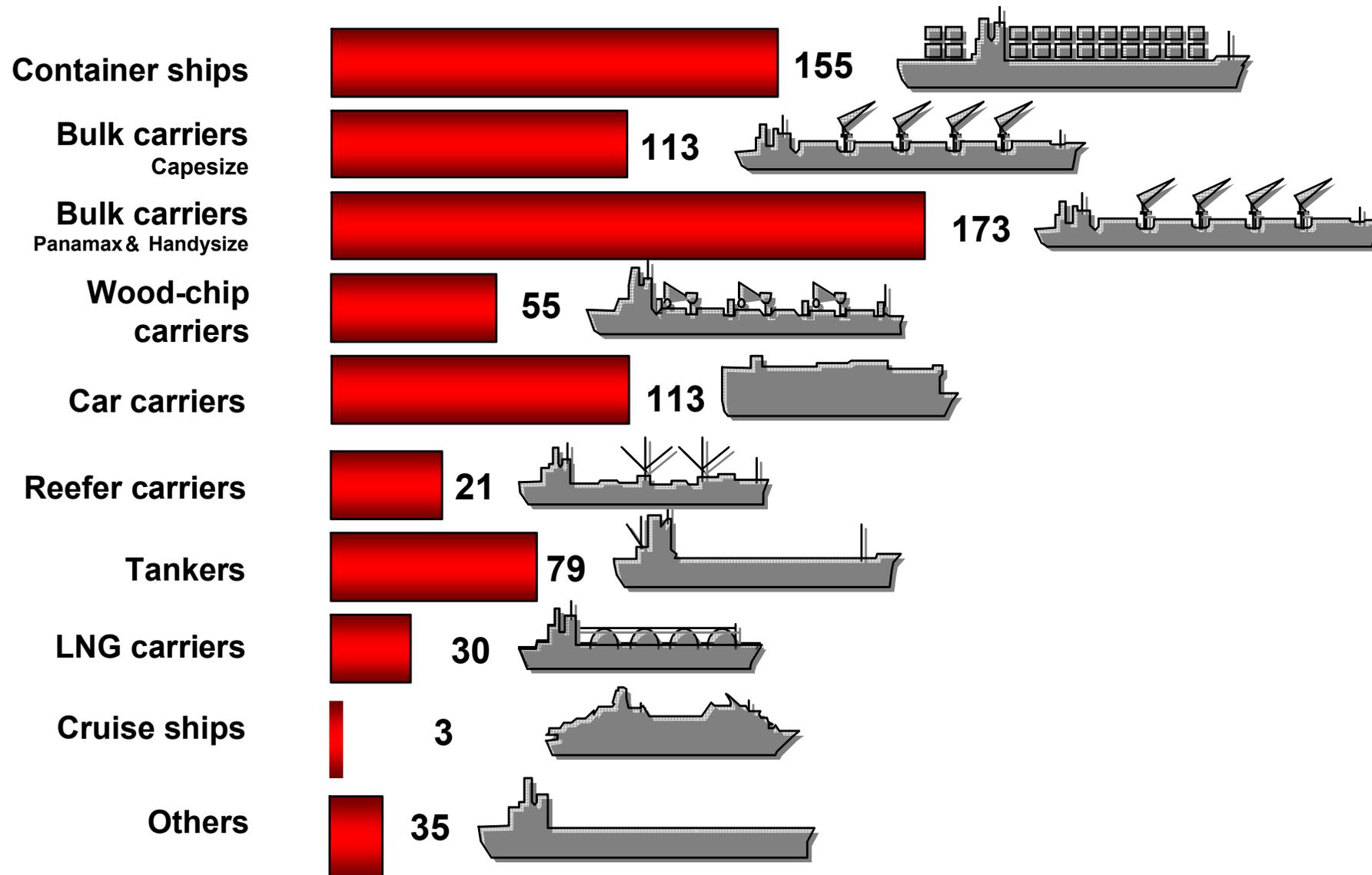




2007 - 08 Business Unit Revenue

• Liner (container shipping)	\$6.7 billion
• Other shipping (bulk and energy)	\$10.3 billion
• Logistics	\$5.3 billion
• Terminals	\$1.5 billion
• Cruise	\$0.4 billion
<i>Other</i>	\$1.6 billion

Fleet of NYK Group

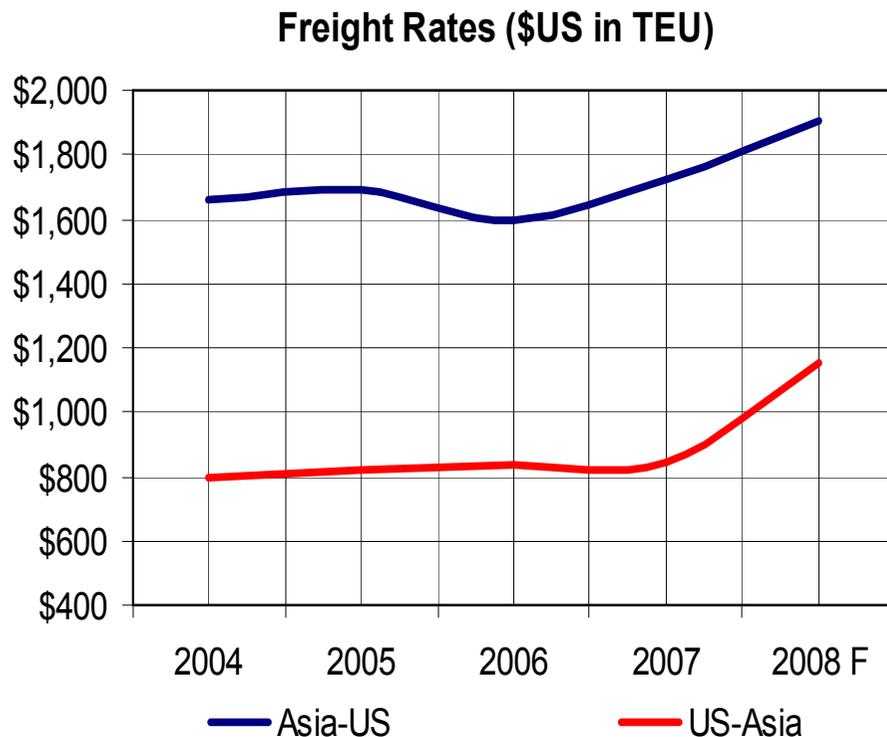


777 vessels with 50.5 million DWT (as of March 31, 2008)

Liner Trade Business



Liner Trade Business

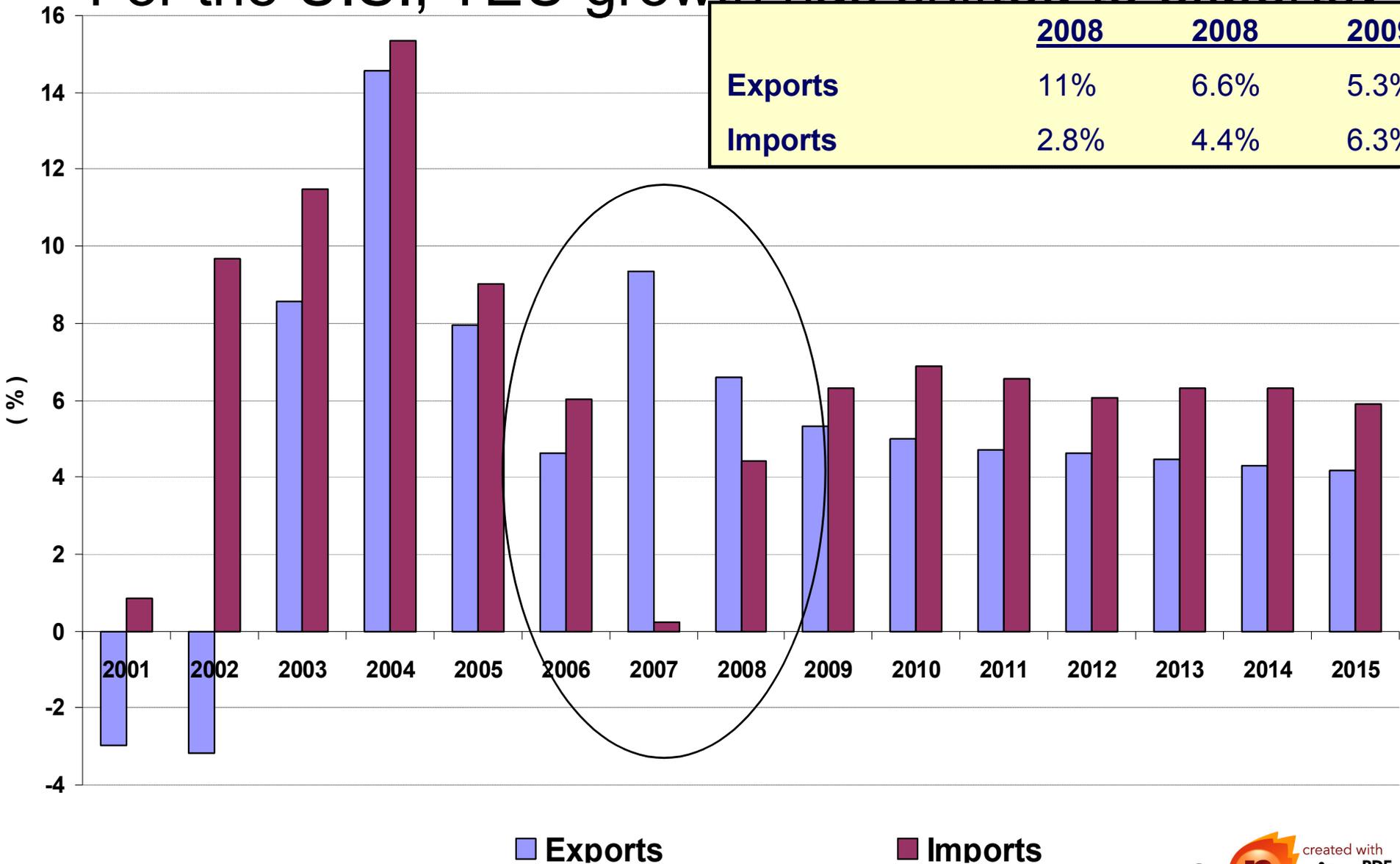


Source: Containerization International

- NYK Liner volume was favorable in 2007 but lower growth rates were achieved based on economic conditions
- 2008 is showing signs of slow growth hinged to the housing and sub-prime loan crisis
- Export market growth was robust and is primarily being driven by the weak dollar
- Bunker prices had a negative impact on cost structures in 2007
- There was moderate recovery in freight rates and with bunker recovery in early 2008

Liner Trade Outlook

For the U.S., TEU growth has shifted to exports.



Liner Trade Outlook

- **NYK Line is bullish on container growth**
- **2008 will show moderate to flat growth overall but BRIC countries and emerging markets look favorable**
- **Freight rates will continue to stabilize**
- **Export markets will continue to see positive growth but will slow as dollar gains strength**
- **Terminal services may drive capacity in the longer term given limited development opportunities**

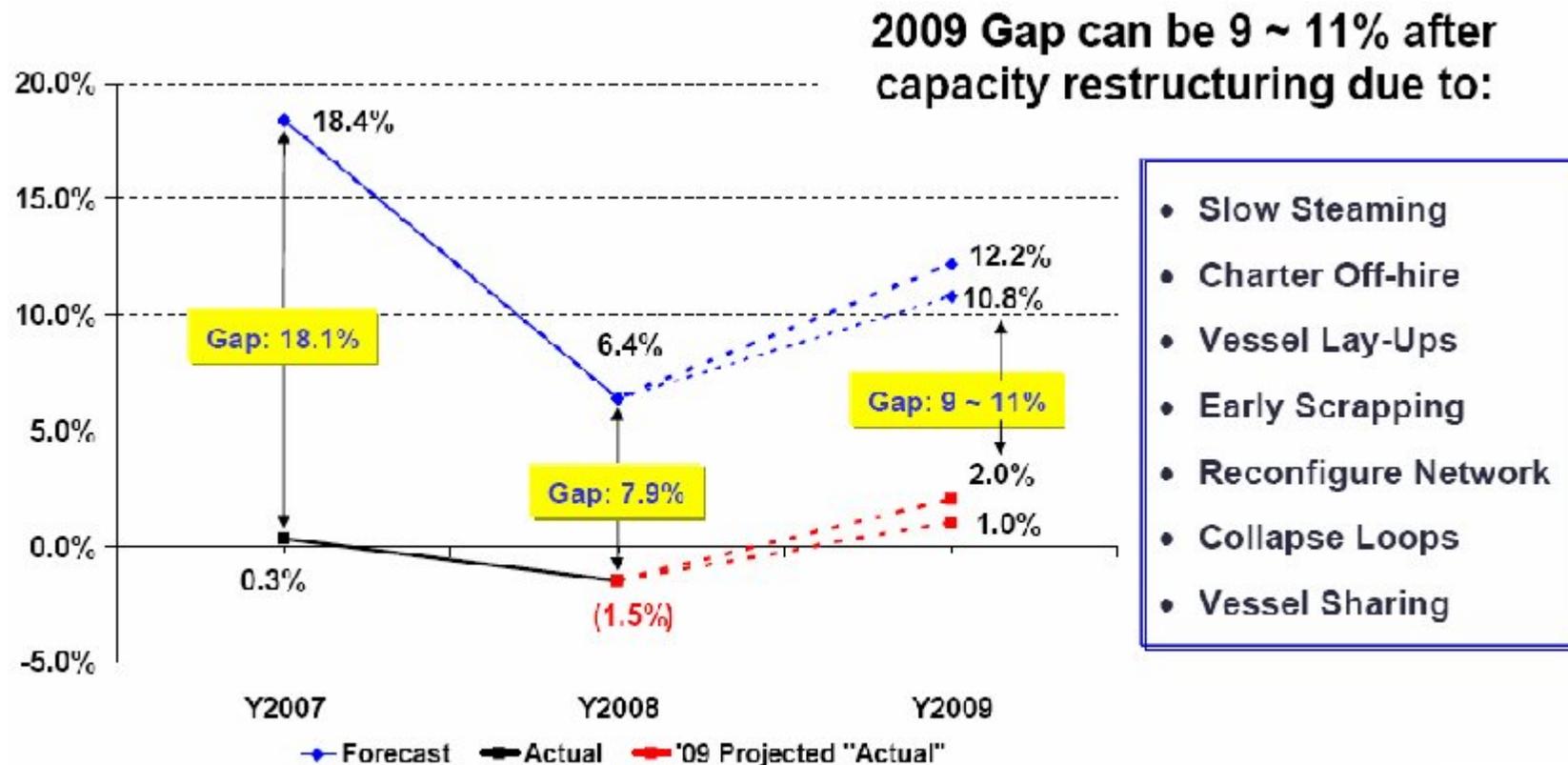
Demand Summary

- Analyst Growth Forecast

Source	2007	2008	2009	2010
Trade Horizons <small>(Issued 10/3/08)</small>	0.9%	(7.8%)	(1.4%)	7.6%
Drewry <small>(Issued 6/30/08)</small>	1.6%	0%	2.6%	NA
Howe Robinson	NA	(3.0%)	3.0%	NA
Clarkson	NA	(1.9%)	6.1%	NA
Global Insight <small>National Retail Federation Port Tracker</small>	NA	(5.9%)	NA	NA

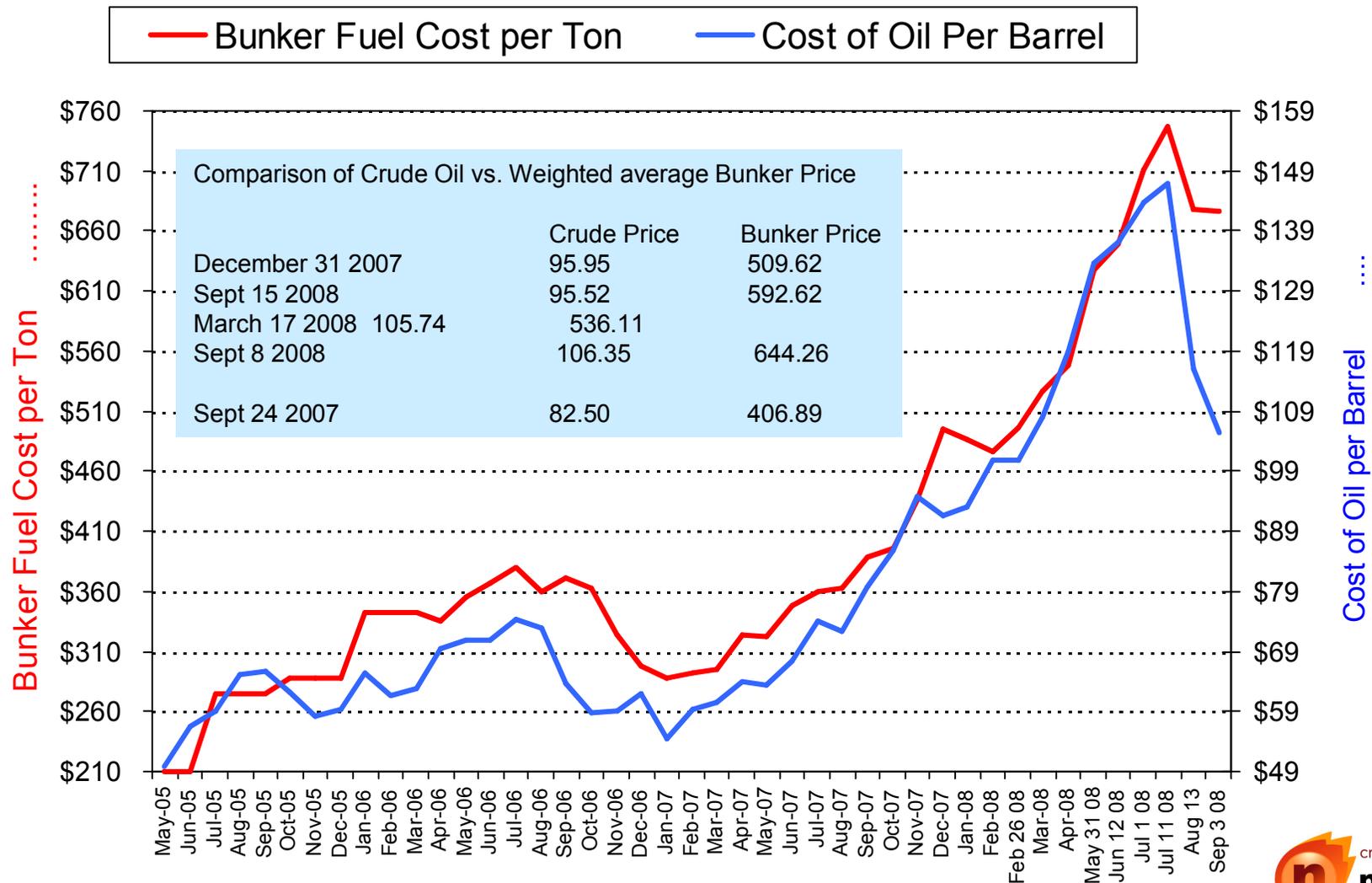
Supply Outlook

- Gap between “forecast” and “reality” as result of various capacity management programs



Ocean Bunker

- Historical Comparison of Crude Oil vs. Bunker Fuel Price



Terminal Operations





Customer Expectations

- **Yard and Gate Operations**
- **Vessel Operations**
- **Maintenance and Repair**
- **Terminal Management**
- **Security**



Yard and Gate Operations

- **Efficient Gate Turn times – 20 min/45 min**
 - **Increased Trucker Drays - 3 vs 5 turns/day**
- **Chassis Pools – Help reduce footprint on terminals / increases terminal effectiveness**
- **Gate Inspections – Optical Scanners**
- **95% grounded facilities – Only wheel reefer and hazardous cargo**
- **On Dock rail capabilities – increase terminal fluidity**
 - **West Coast Clean Truck Program**



Vessel Operations

- **Increased Vessel Production:**
 - Europe – 36 mph
 - Asia – 34 mph
 - North America – 28 mph
- **Dispatch Vessels within Port Proforma Time (maximize all shifts)**
- **Increased Production = Early Departure = Cost Savings (SO and Terminal)**
 - Service of 12 T/Days departs 12 hrs early = \$85,000 cost savings
- **Speed up a vessel by 1 Hr = \$8, 500 additional cost**



Maintenance and Repair

- **Timely / Accurate Notification of damage discovery**
- **Repair of equipment in a safe and cost effective manner**
- **Damages to carriers equipment on terminal is terminal responsibility**
- **Improved processes of gate inspections (damages documented at in/out gates)**



Terminal Management

- **Effective Customer Service – Problem Resolution**
- **Terminal Technology –**
 - **Wherenet**
 - **RFID**
 - **OCR (cranes/gates)**
- **Electronic Billing / Invoicing**
- **Good / Accurate Reporting on Daily Terminal Activities**
- **Infrastructure – Adequate berth / water depth**



Inherent Challenges to Security

- **No Uniformed Code to Security –**
 - Terminals are under USCBP and USCG requirements
- **The lack of consistency in Port versus Terminal Operator Ownership**
 - Who is responsible for security? Port Authority or Tenant?
 - Alignment with commercial security (i.e. C-TPAT, AEO – Europe (July '09))
- **Upcoming Security Requirements**
 - TWIC
 - High Security Seals
 - 100% container inspections



Future Terminal Challenges

- **US Terminal expansion severely limited**
 - **Only 3 USEC Terminals built / expanded by 2010**
 - **1 USWC Terminal built / expanded by 2012**
- **Terminal Infrastructure and port access – air drafts and water depths**
- **Efficiency versus Environmental Requirements**
- **Cost Competitive (LA versus Oakland, Seattle)**
- **Rail Connectivity – new capacity and services to meet customers demands**
- **Changes in Technology and Security Requirements**

Thank You

