

*Shifting International Trade Routes
The Role of Transshipment - What will
Happen in the Caribbean Basin?*

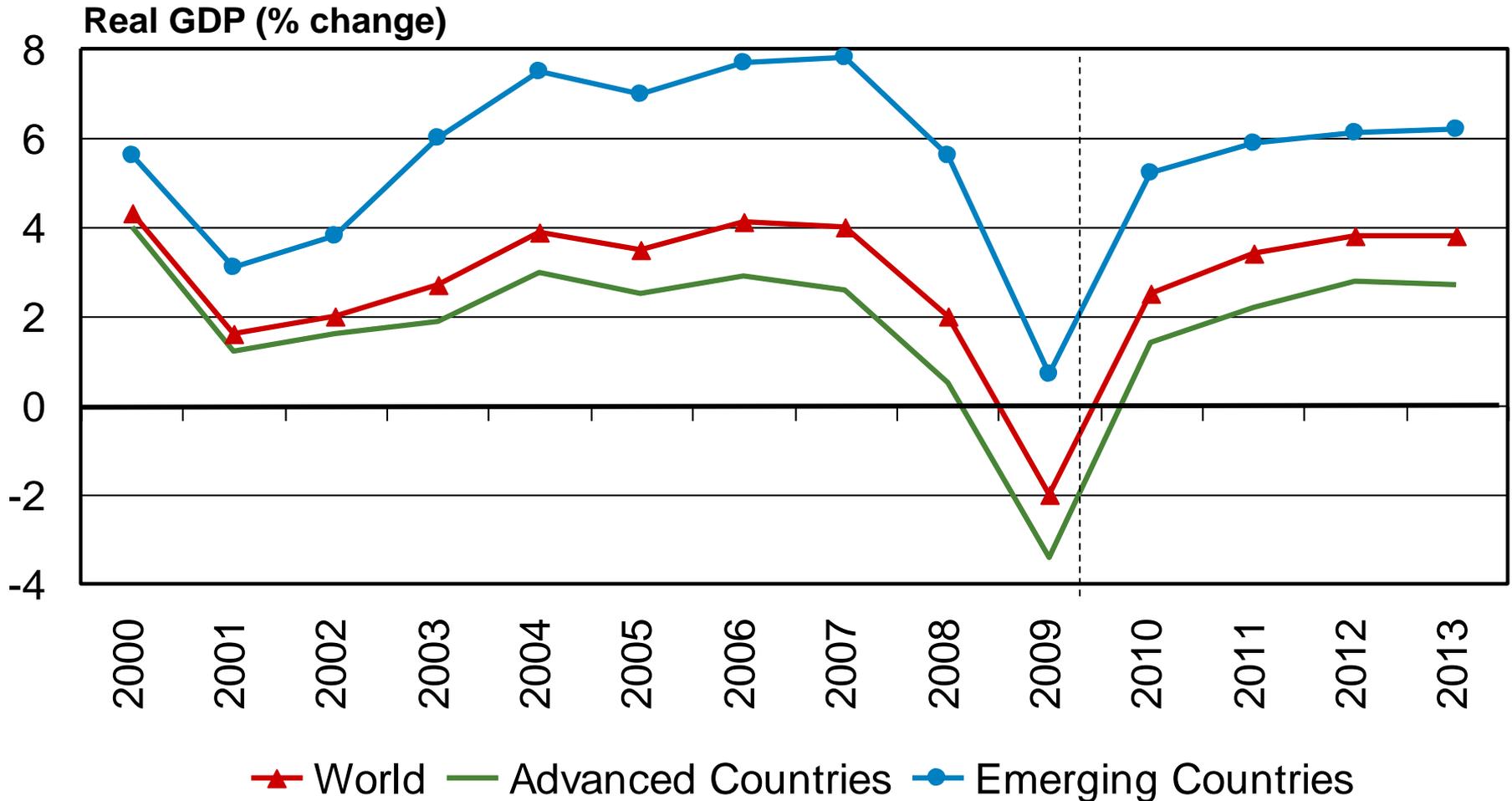
Robert West

January 26 2010
Grand Hyatt Tampa Bay

Agenda

- 1. The Economic & Trade Outlook
- 2. Transshipment in the Caribbean
- 3. Takeaways/Conclusion

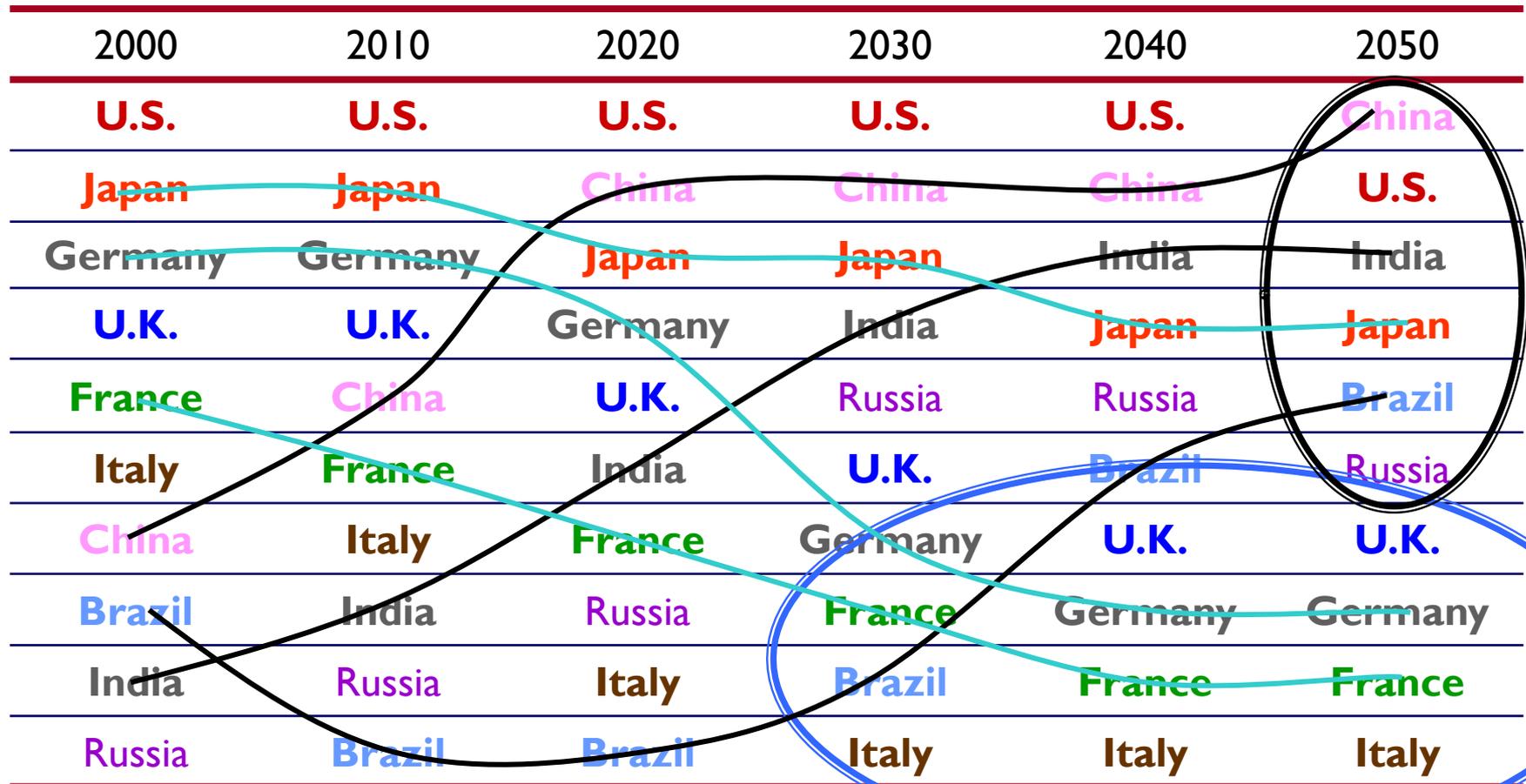
The emerging markets have helped to keep the world from falling into an even deeper recession and are leading the recovery.



Source: Global Insight

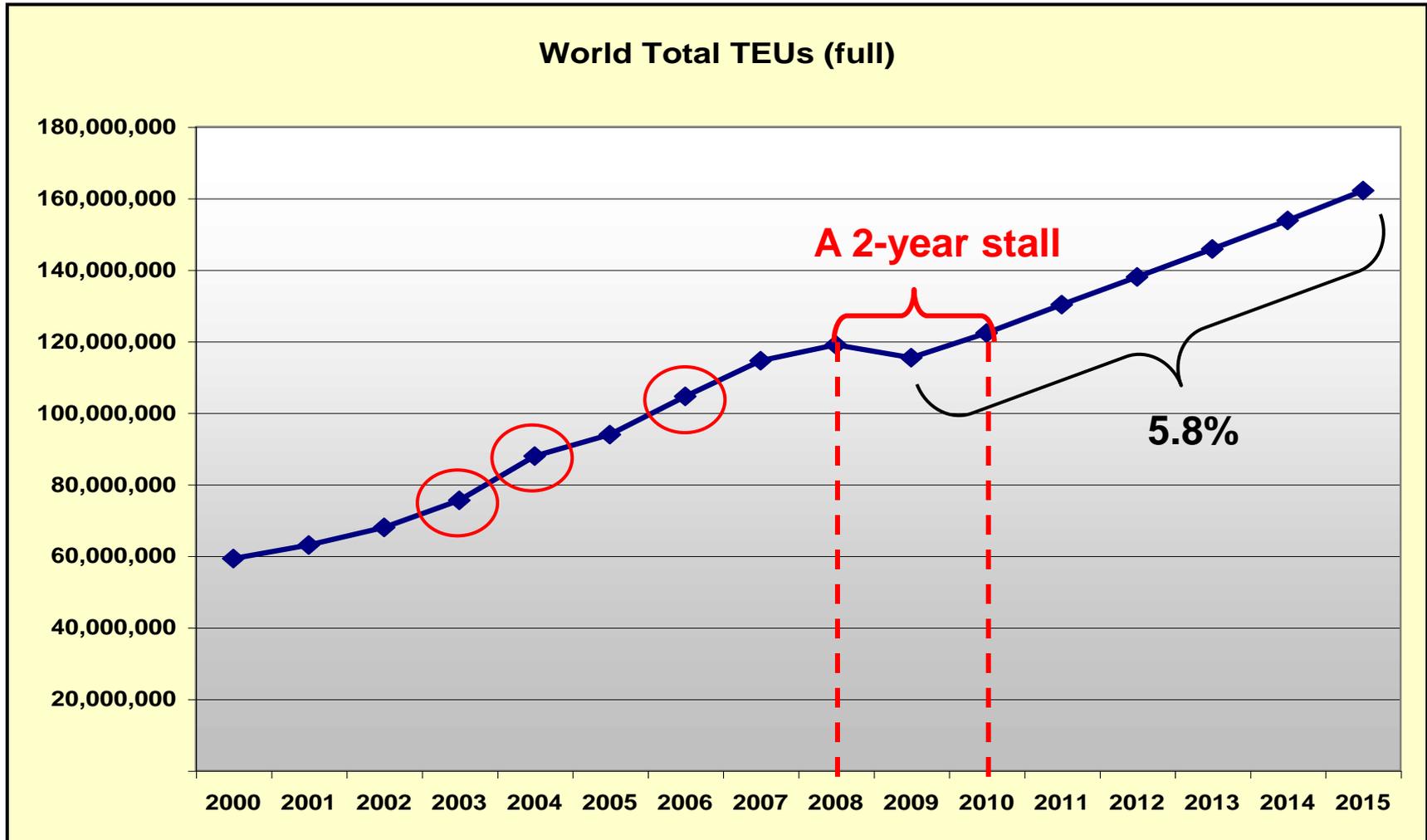
In the very long term, today's emerging markets could become the largest ones in the world.

(Country GDP Rank in Billions of Real (2003) U.S. Dollars)

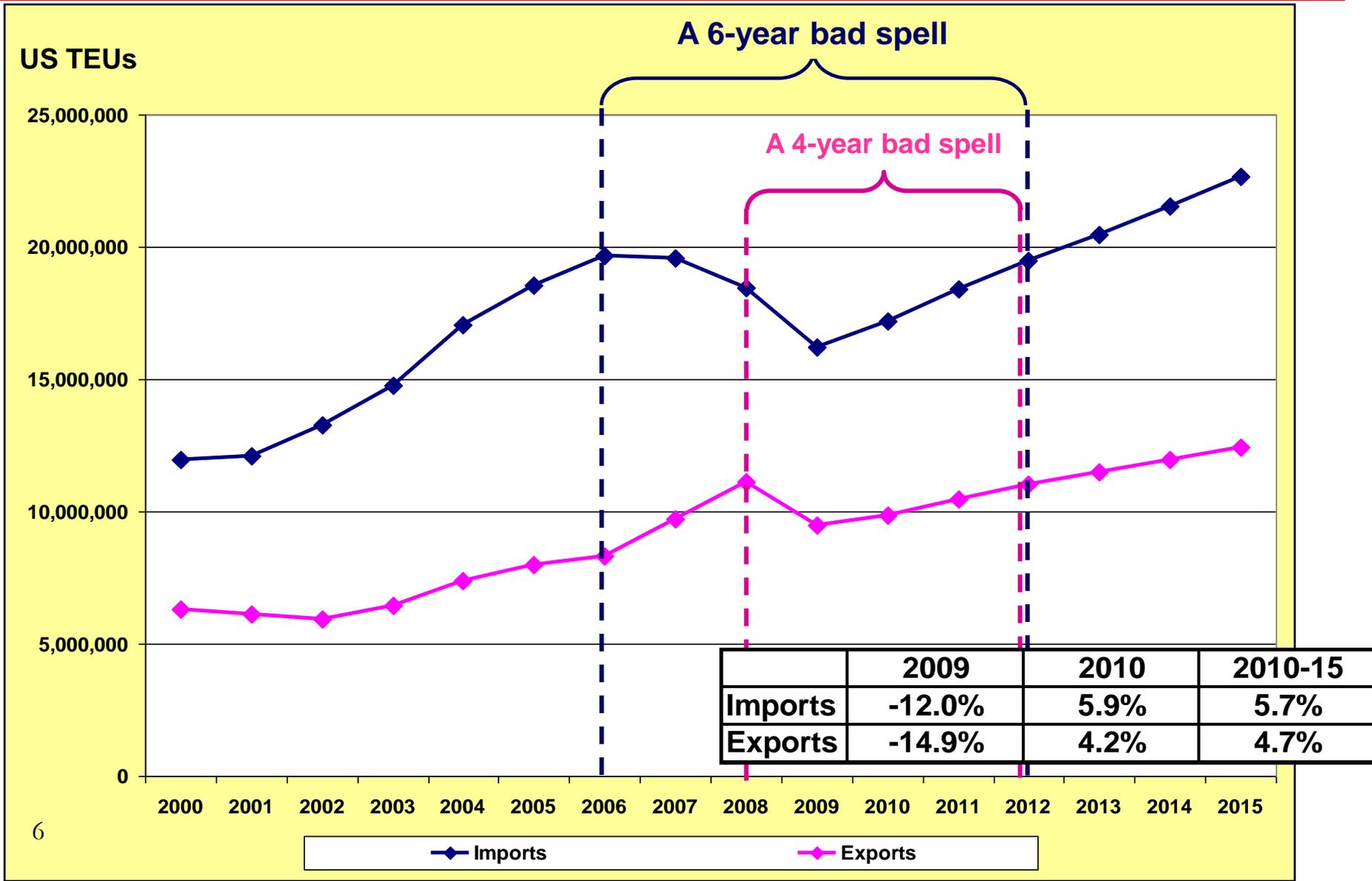


Source: Global Insight World Service and Goldman Sachs

The years of 2-digit growth (containers) are behind us.



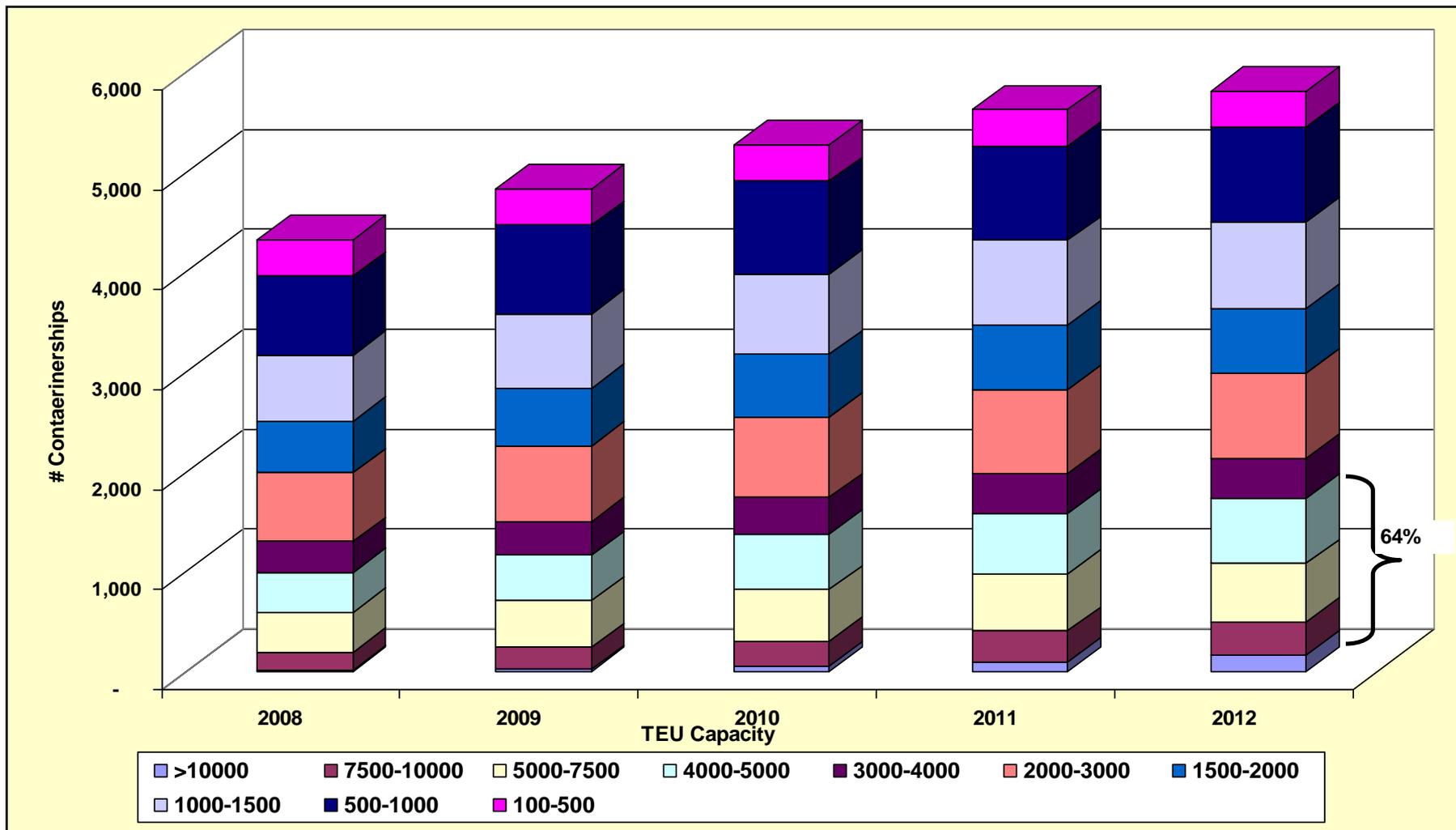
US imports suffered more than exports in the recession.



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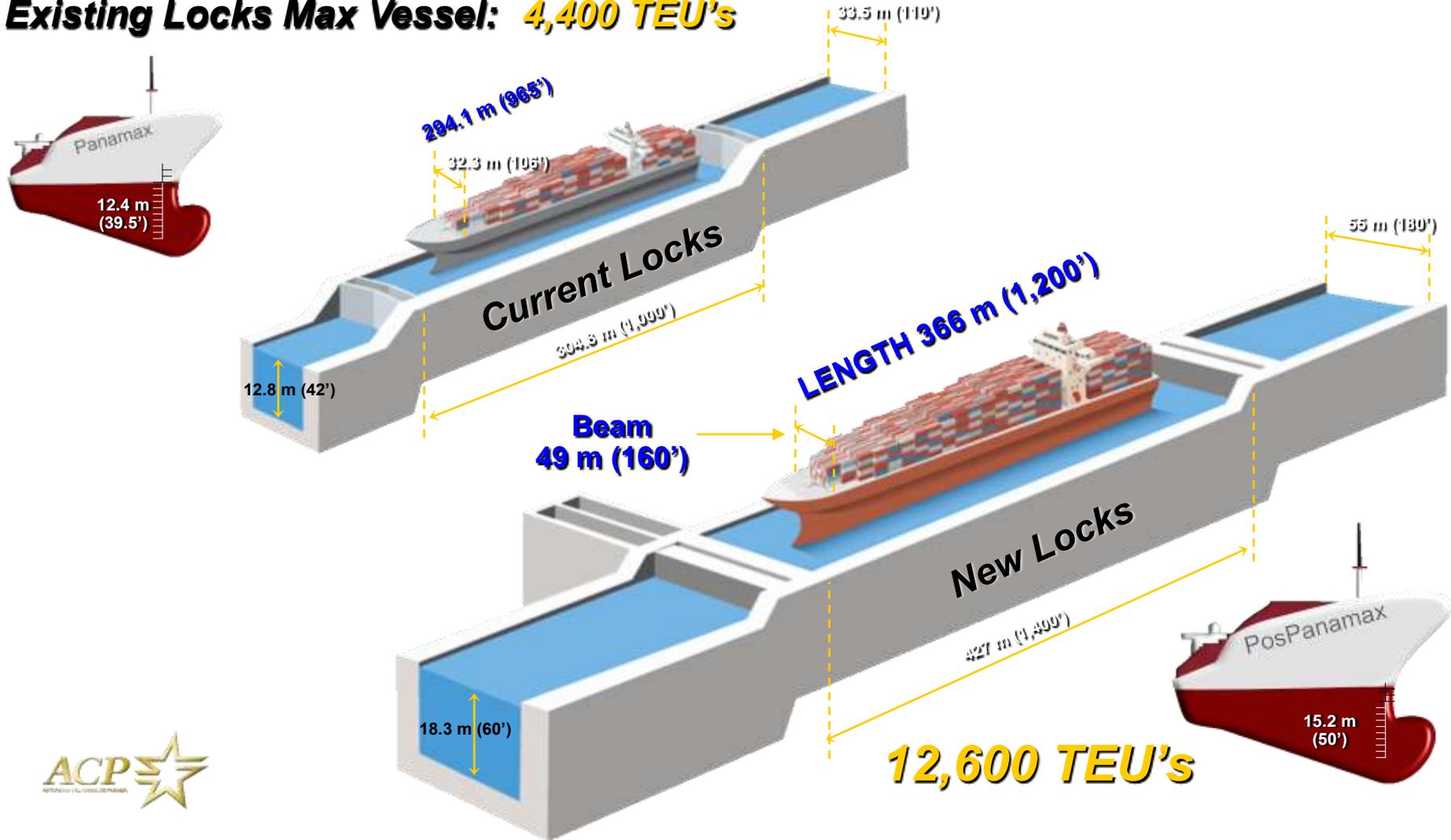
By 2012, 64% of containership capacity will be in Post-Panamax Vessels. Just 30% of the ships.



Source: Clarksons

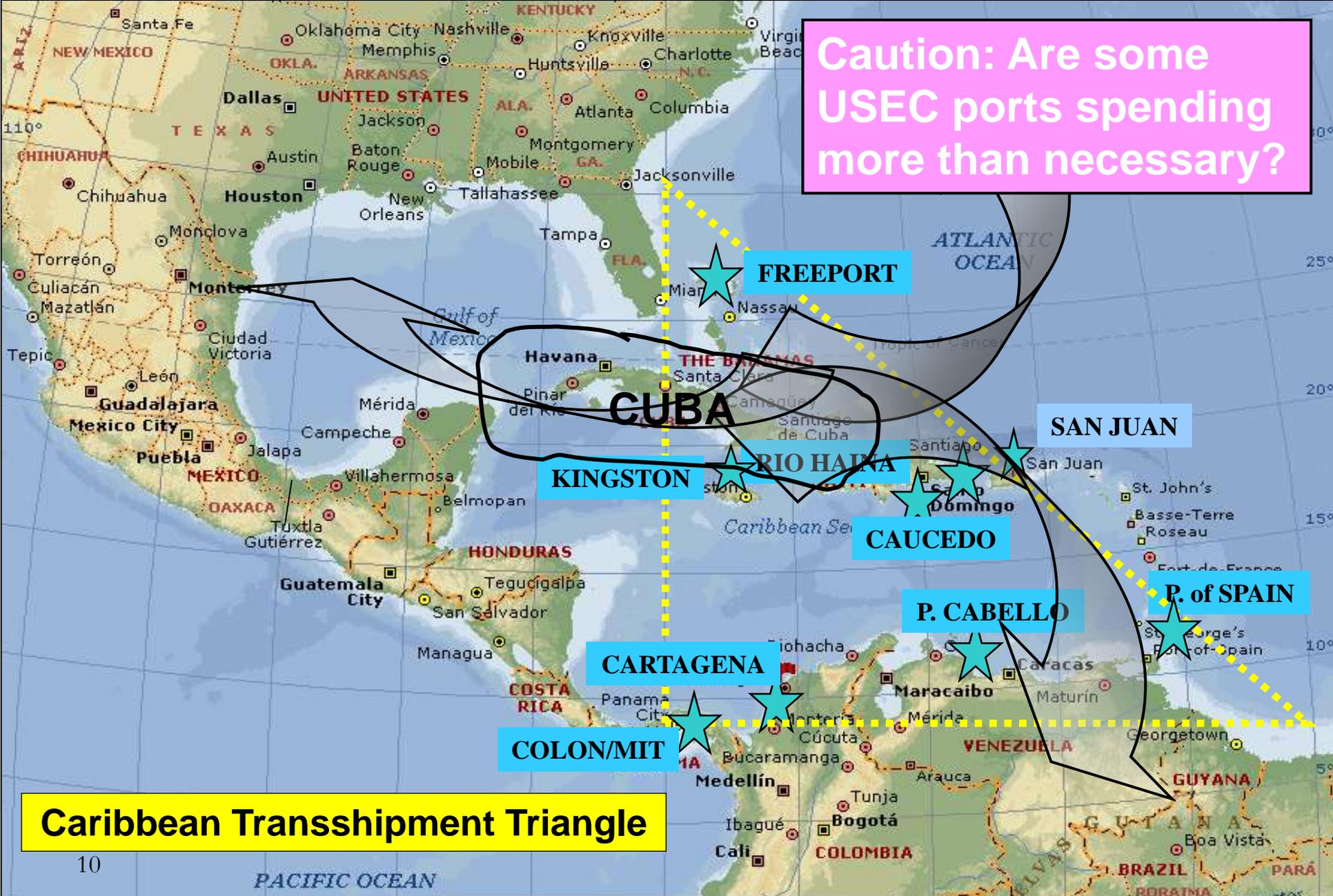
Dimensions of Locks and New-Panamax Vessels

Existing Locks Max Vessel: 4,400 TEU's



After the Canal expansion, the action will be in the Caribbean.

Caution: Are some USEC ports spending more than necessary?



Caribbean Transshipment Triangle

Cuba has potential as a manufacturing and transshipment hub. Has China already won the race?



The Cubans think that the southeast coast is the best location for a transshipment terminal.



Example: CMA-CGM PEX 1 through Cauceco



Reasons transshipping may make sense

- ▶ Can load the ship (China) with multi-destination cargo, thereby increasing utilization on the head haul
- ▶ For the backhaul, can attract cargo from USEC, Gulf, Central and South America, and the Caribbean
 - ▶ Improve backhaul utilization
- ▶ Our preliminary cost estimates show that an all-water voyage to the USEC with a \$400 transshipment charge can easily “beat the landbridge option”
 - ▶ TS rates should remain in check thanks to competition
- ▶ When the Heartland Corridor is ready, it will shave 1.5 days off the Hong Kong – Chicago voyage
 - ▶ Time savings and water depth may favor Norfolk
 - ▶ Competition for transshipment

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Three Takeaways

- 1. We are coming out of the recession and we expect exports to help pull us up.**
- 2. Transshipment in the Caribbean could be on a high growth curve**
 - 2012 when demand picks up**
 - After 2015 when the Canal opens**
- 3. If most Far East – USEC container cargo is transshipped, not all of the USEC ports will need to be expanded.**



Good Luck!!

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