

Shifting International Trade Routes

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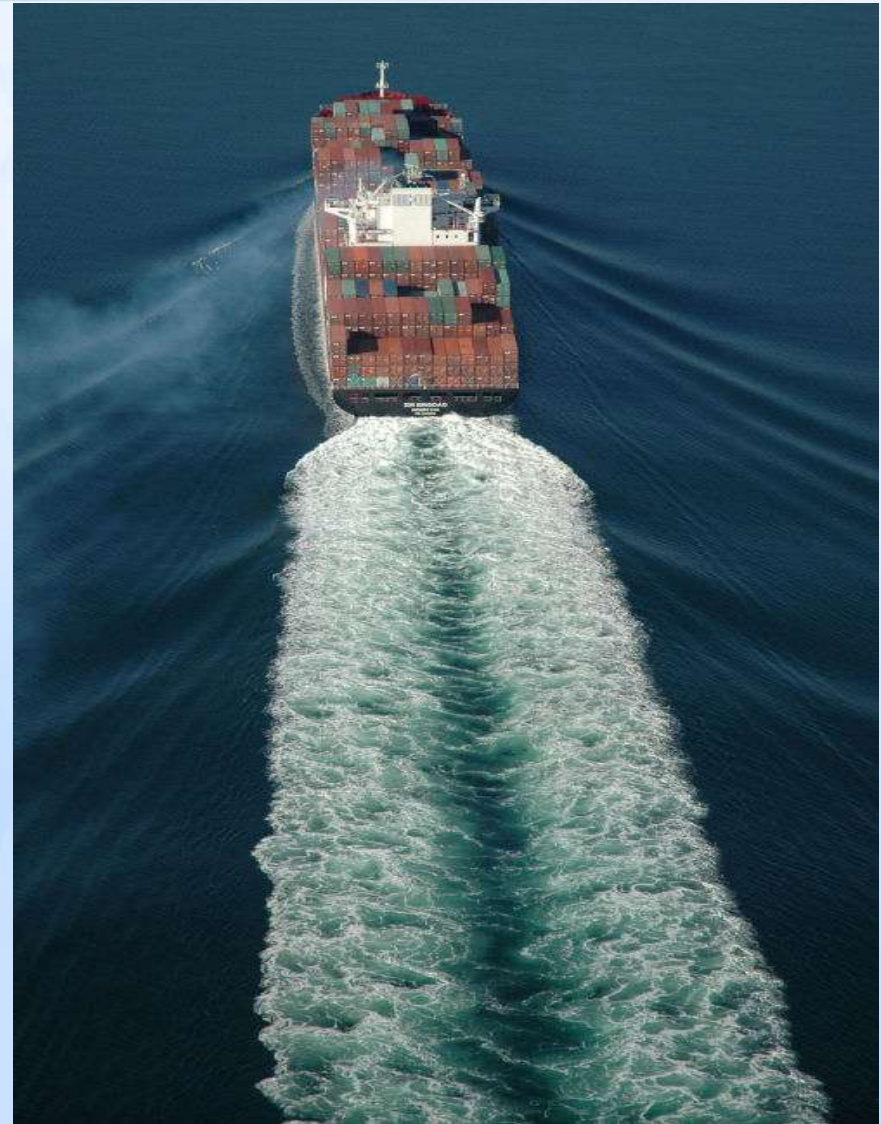
ZIM

Integrated Shipping Services

Global reach
Local touch



- ★ ZIM is an International Shipping Company started in 1945. Based in Haifa, Israel we are wholly owned by the Israel Corporation.
- ★ Today we have over 90 vessels sailing in over 60 weekly services to over 180 ports on 5 continents. We provide various solutions sets for our customers ranging from port-to-port shipments to multi-modal logistical solutions.



- ★ Shipping
- ★ What Does the Customer Want?
- ★ The Trade Today
- ★ Deployment
- ★ Shifting Trade in the Post Panama Canal Expansion World
– One Perspective



- ★ Since the time of the Phoenicians, shipping is the movement of a good from one port to another port with shipping companies competing for the most profitable customer routes.
- ★ While we still deploy our vessels based on the perceived demand of our customers our role has changed, the trade has changed, and only one thing is certain.... more change.



What does the CUSTOMER Want?

- ★ What Does the Customer Want?
 - Lowest Delivered Cost
 - Fastest Transit from origin to destination
 - Reliable Schedule
 - Lowest Risk of Disruption to the Supply Chain
 - Ease of Business – Personal Touch / E-Commerce

- ★ Each of these demands impacts the lines Deployment response
 - All Water
 - All Water Slow Steaming
 - Water to Rail
 - Water – T/S - Water



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- ★ As we all know based on our experience, the TRADE shifts with the economy, population (population size, buying power, demographics, shifts, etc.), sourcing (manufacturing based), and consumption.
 - ★ Facts of little dispute –
 - For the near term, CHINA will remain dominant as the manufacturing center – “Made in China”
 - The Major volume trade will continue to be EAST-WEST
 - New vessel orders continue to be for larger and larger vessels as lines look to lower slot costs
 - ★ The opening of the Panama Canal’s new locks in 2014 allowing the largest container vessels to transit between the Atlantic and Pacific oceans will redefine the AMERICAS trade and the way lines deploy

2009 World Trade

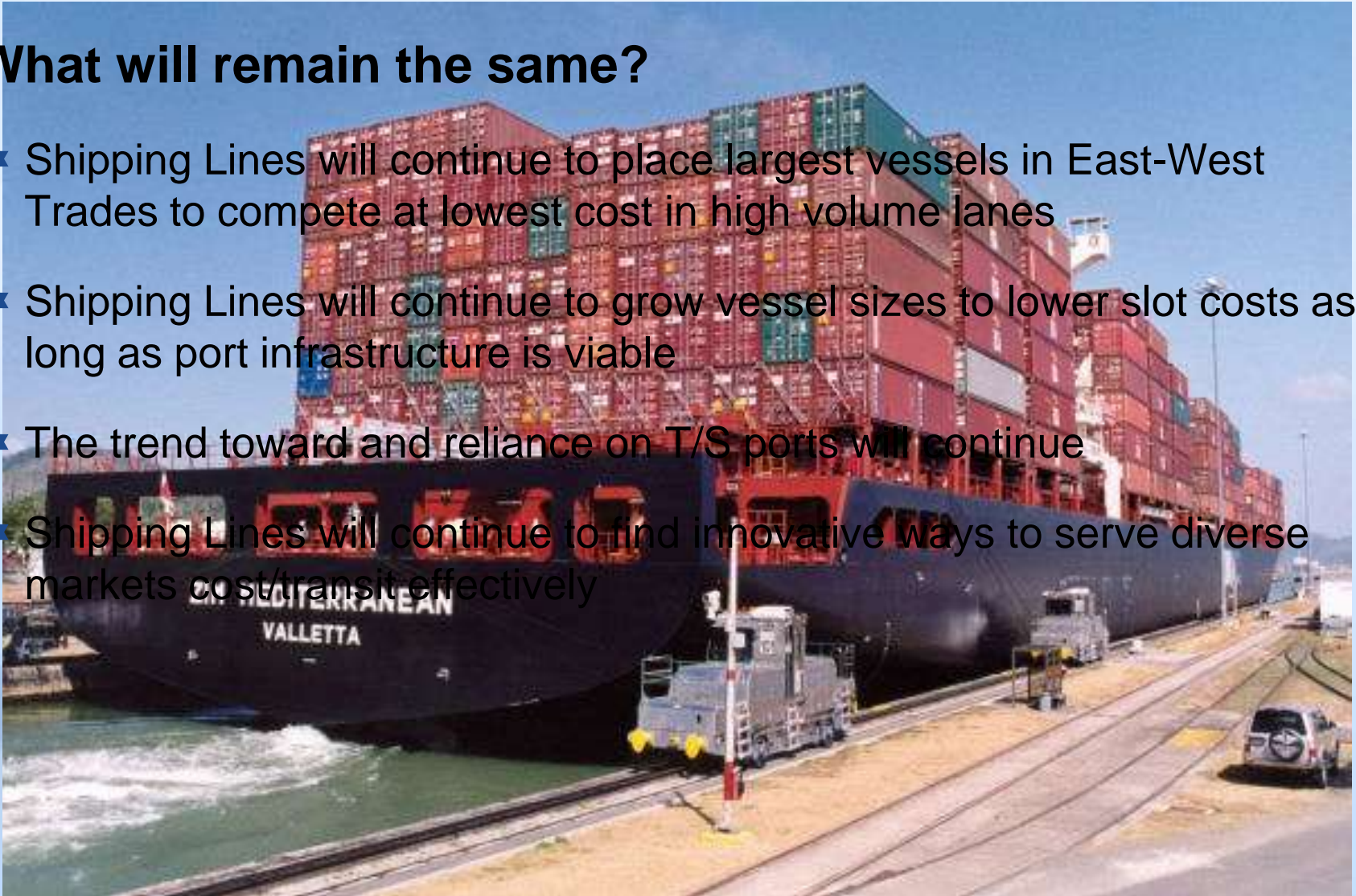
Deployment



Shifting Trade in the Post Panama Canal Expansion World

What will remain the same?

- ★ Shipping Lines will continue to place largest vessels in East-West Trades to compete at lowest cost in high volume lanes
- ★ Shipping Lines will continue to grow vessel sizes to lower slot costs as long as port infrastructure is viable
- ★ The trend toward and reliance on T/S ports will continue
- ★ Shipping Lines will continue to find innovative ways to serve diverse markets cost/transit effectively

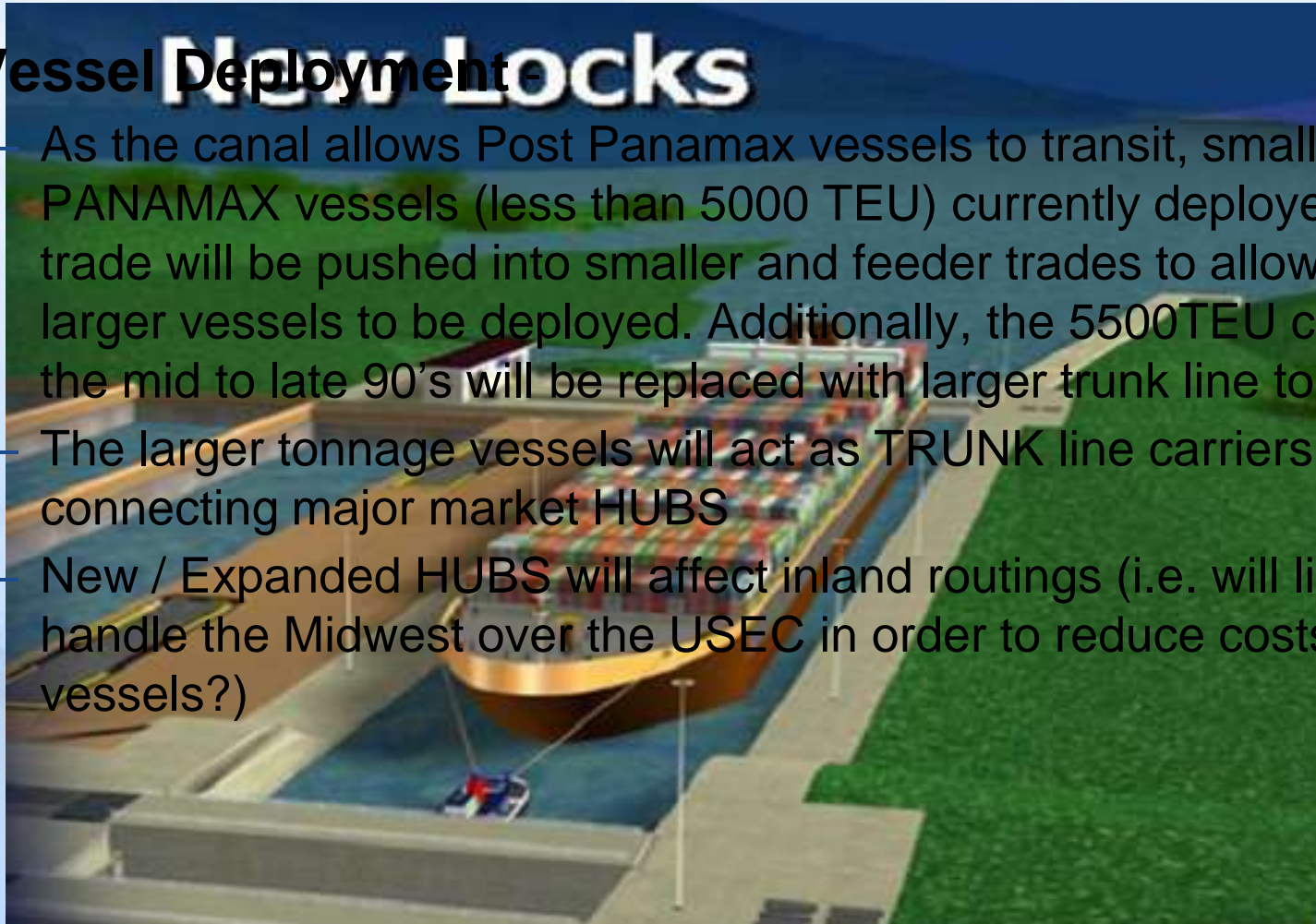


Shifting Trade in the Post Panama Canal Expansion World

What will Change?

★ Vessel Deployment

- As the canal allows Post Panamax vessels to transit, smaller PANAMAX vessels (less than 5000 TEU) currently deployed in the trade will be pushed into smaller and feeder trades to allow for the larger vessels to be deployed. Additionally, the 5500TEU class from the mid to late 90's will be replaced with larger trunk line tonnage.
- The larger tonnage vessels will act as TRUNK line carriers connecting major market HUBS
- New / Expanded HUBS will affect inland routings (i.e. will lines handle the Midwest over the USEC in order to reduce costs and vessels?)



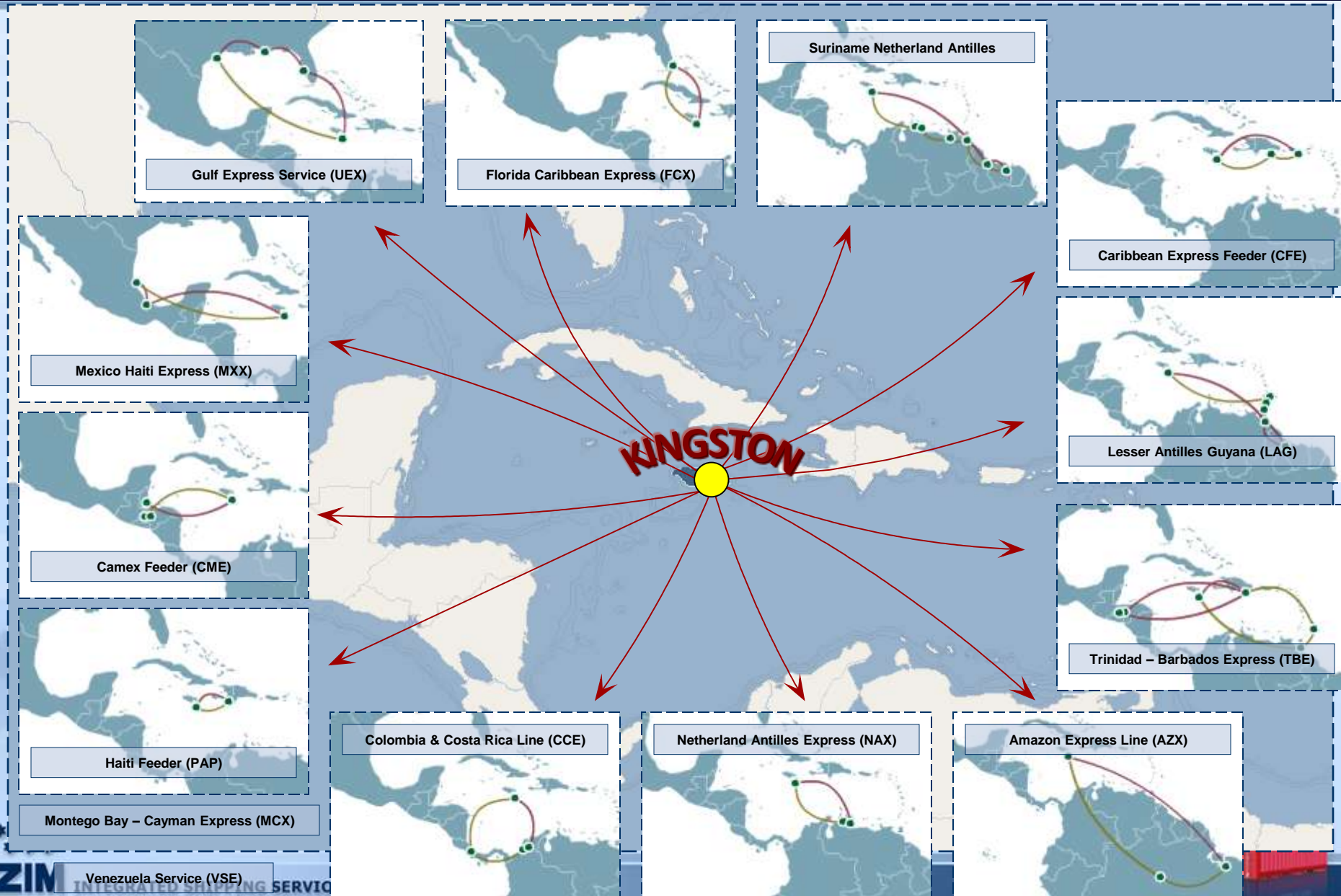
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★ Affect on Smaller Trade and Feeder Routes -

- Due to lower customer density in smaller routes, Lines will be required to partner to a much larger extent on smaller North-South trades and feeder routes to a greater extent as larger capacity is redeployed.
- Frequency of service in some trade and feeder routes will diminish as less ships are required to carry the same amount of cargo
- Opportunity will arise for smaller regional ports as new markets are sought and transshipment opportunities avail themselves
- Some ports may lose out as they do not have the infrastructure to handle the larger vessels



Kingston Hub



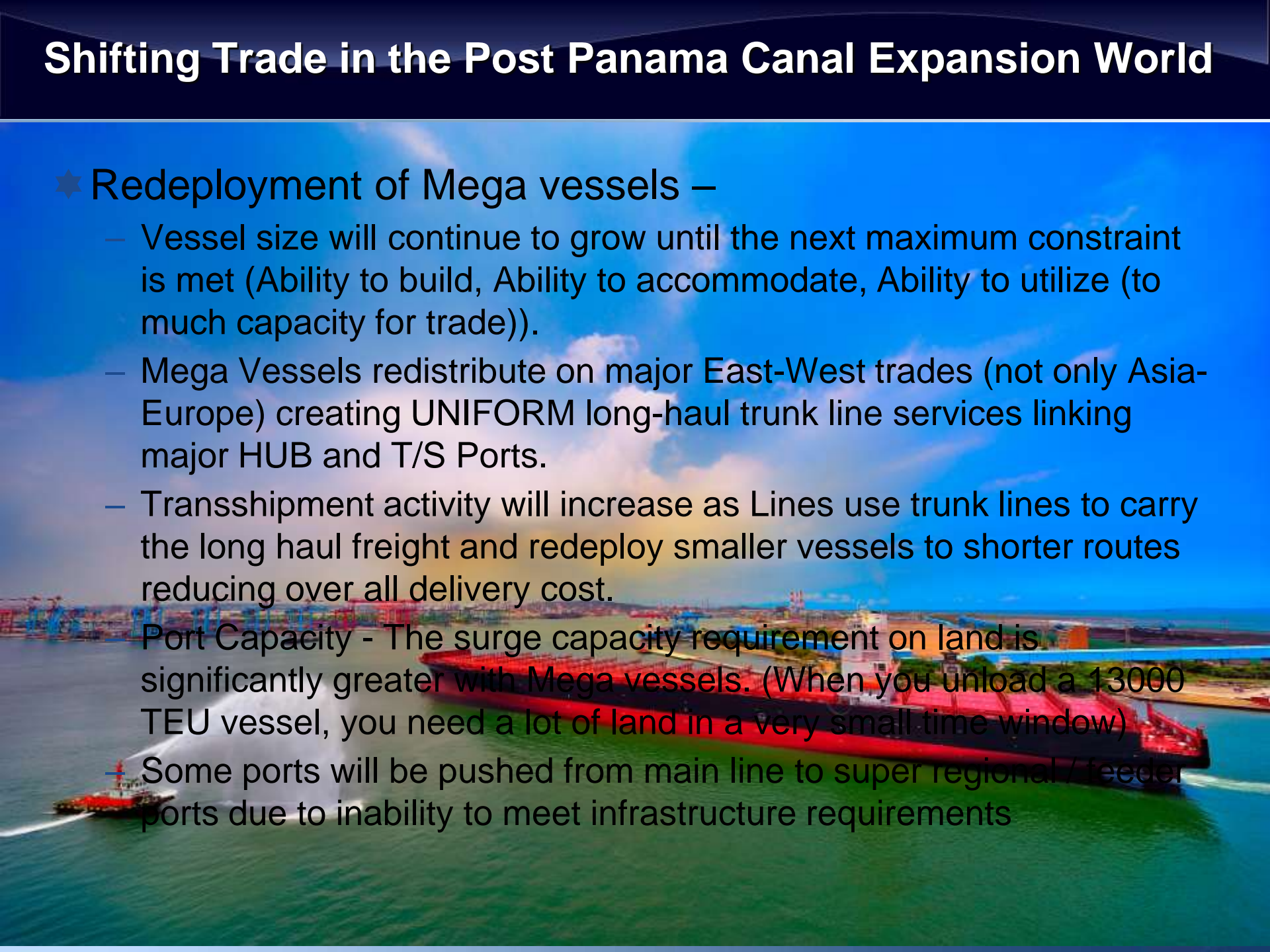
Shifting Trade in the Post Panama Canal Expansion World

★ Redeployment of Mega vessels –

- Vessel size will continue to grow until the next maximum constraint is met (Ability to build, Ability to accommodate, Ability to utilize (to much capacity for trade)).
- Mega Vessels redistribute on major East-West trades (not only Asia-Europe) creating UNIFORM long-haul trunk line services linking major HUB and T/S Ports.
- Transshipment activity will increase as Lines use trunk lines to carry the long haul freight and redeploy smaller vessels to shorter routes reducing over all delivery cost.

Port Capacity - The surge capacity requirement on land is significantly greater with Mega vessels. (When you unload a 13000 TEU vessel, you need a lot of land in a very small time window)

- Some ports will be pushed from main line to super regional / feeder ports due to inability to meet infrastructure requirements



- ★ In short the expansion of the Panama Canal will lead to a reinvention of the major East-West trades as shipping lines work to reduce slot costs and redeploy older tonnage.
- ★ Changes made in the redeployment will affect every trade, every customer supply chain, and service provider (port, rail, truck, etc) as the changes ripple through the respective carrier networks.
- ★ The individual carrier responses of the some 400 ocean carriers will vary as they service their respective niche; Low Cost, Reliability, Transit Sensitive, and/or Combination thereof.
- ★ Expect more partnering and alliances as lines struggle with capacity issues created by redeployment. Additionally, feeder services will see more partnering versus outsource or proprietary Shipping line service.
- ★ Impact Factors – FUEL / TOLLS / Alternative Response (Rails / Affected Ports)
- ★ Thank You

