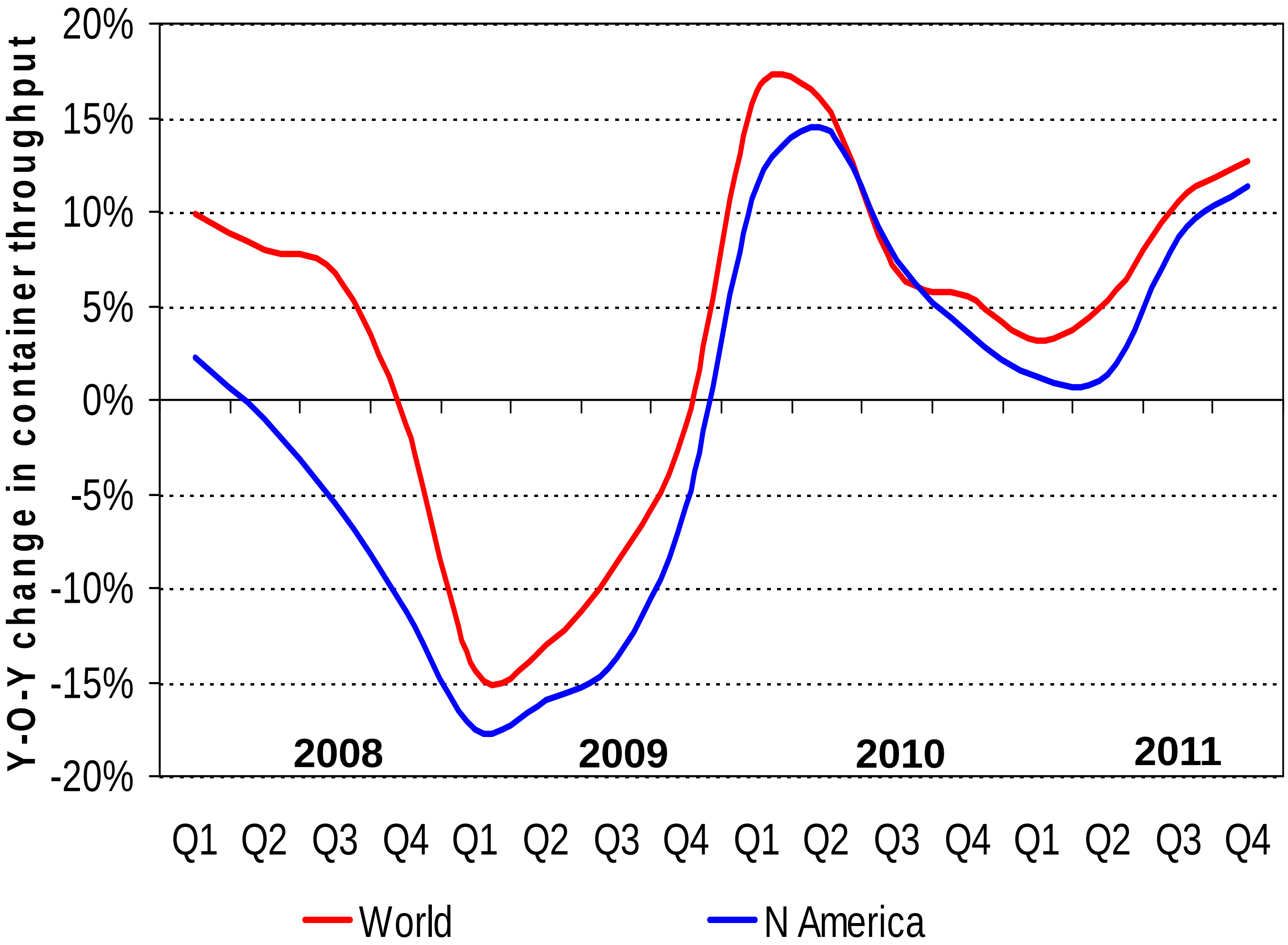
MAERSK LINE

AAPA Conference

Handling variable import / export volumes in the U.S. and impact to marine infrastructure

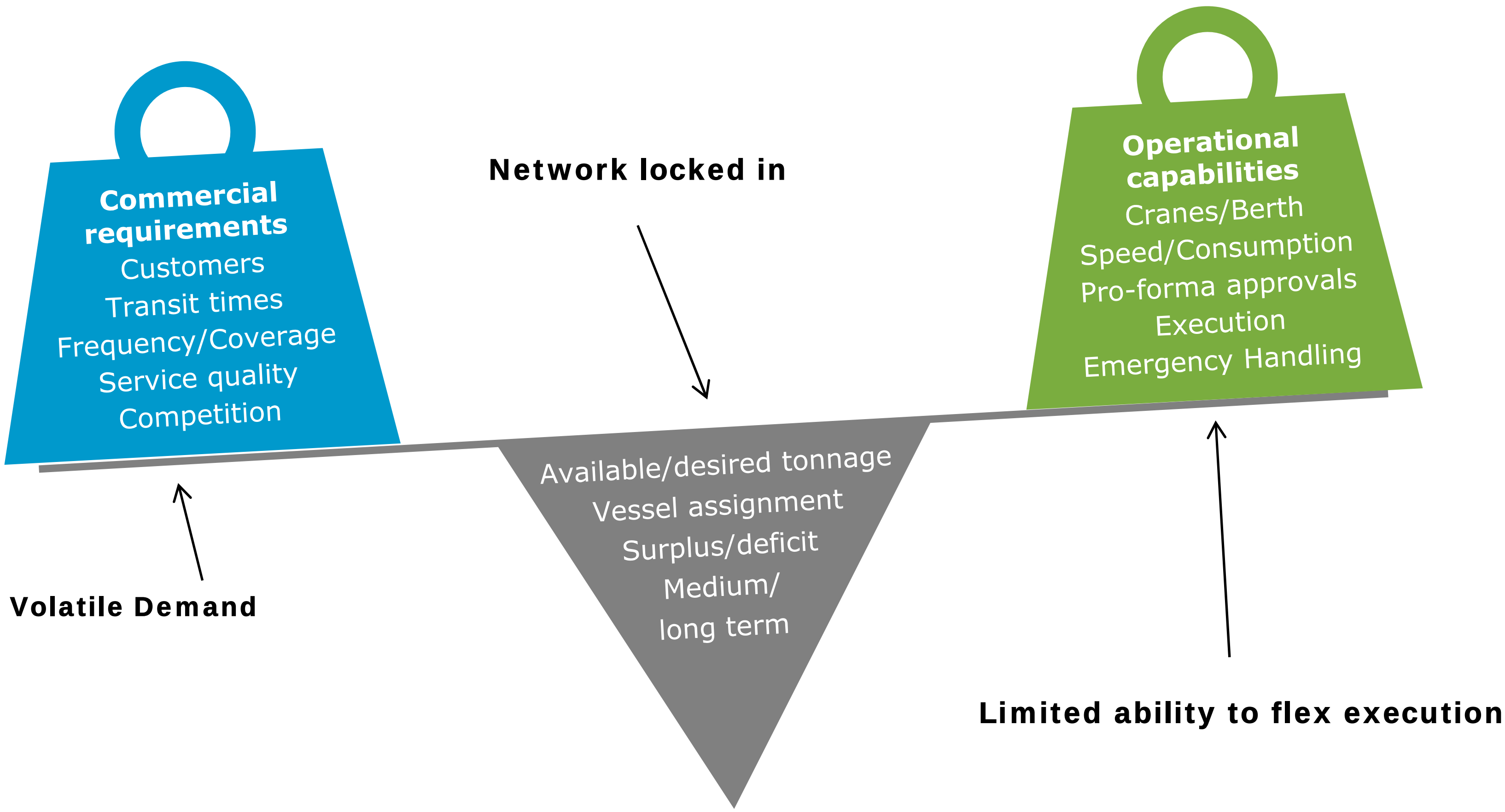
February 2011

World container trade – volatility!



Source: Drewry Container Forecaster – Sep 2010

The network is sensitive to many types of change – demand, bottlenecks, prices, operational execution



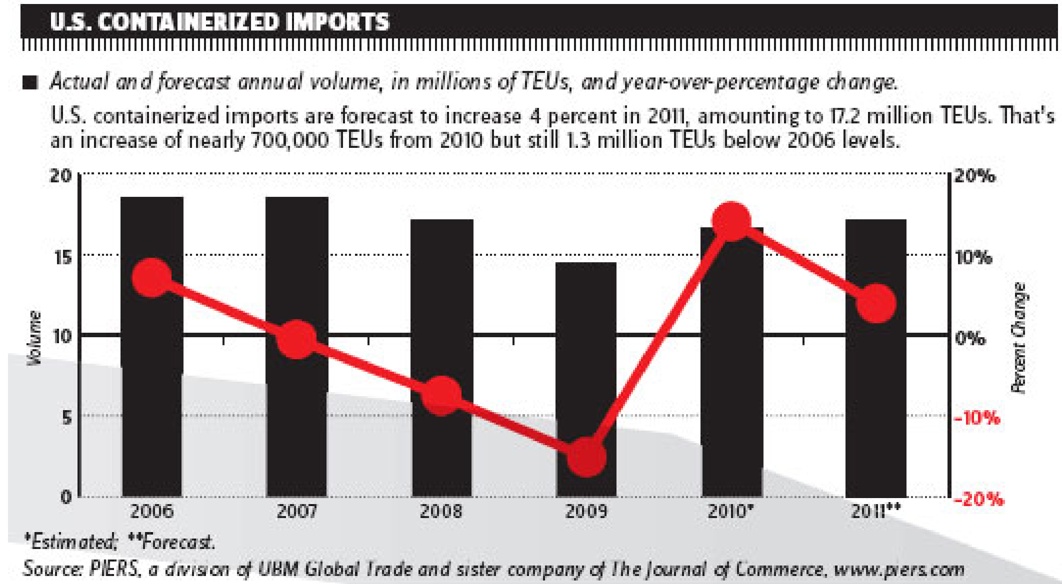
Industry Forecast

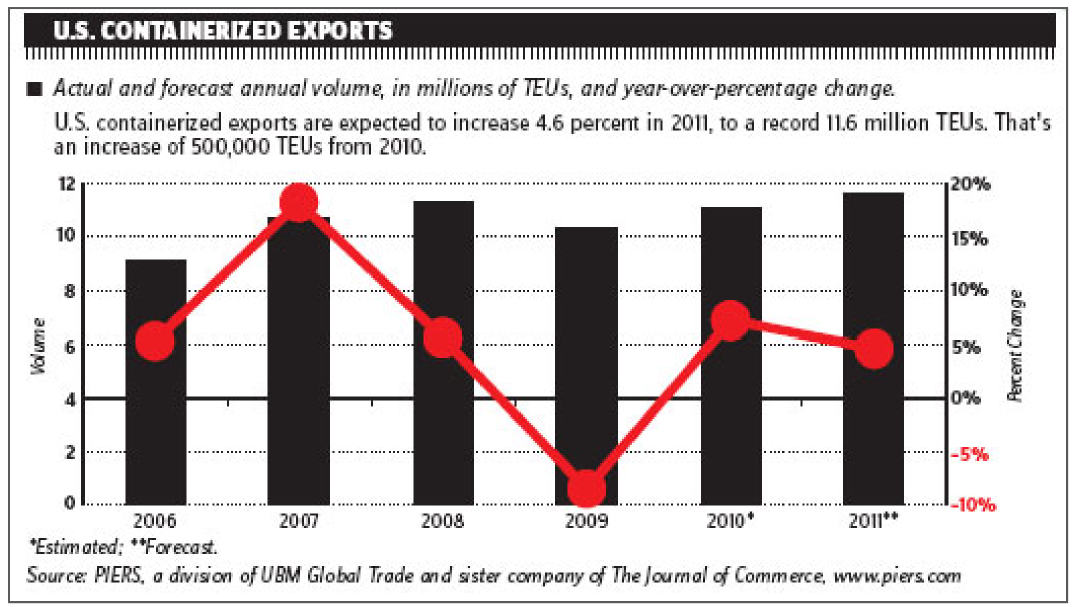
Trade Growth

- **2011 imports expected at 17.2 mio teu up 4% - still down 1.3 mio teu vs 2006! 25,000 teu/week**

- **2011 exports expected at 11.6 mio teu up 4.6% - should exceed 2008 volumes.**

- **Number of services/ capacity has not changed to any extent in 5 years**



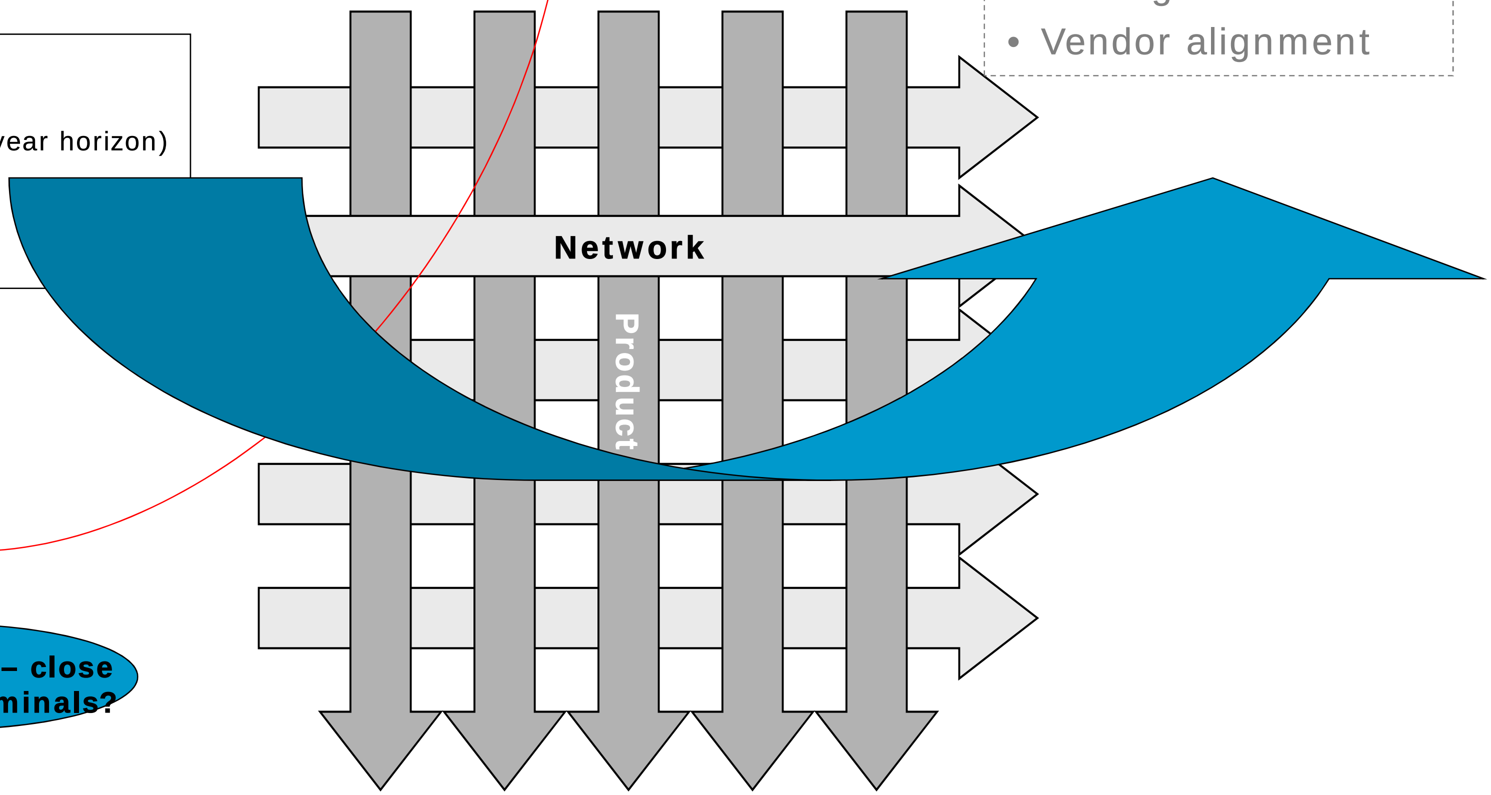


Flexibility of assets if crucial – close collaboration between Lines, Rail and Terminals

Product focus on:
- Markets and customers
- Medium-term (1-3 year horizon)

Operations focus on:
- Short term constraints
- Key bottle necks/contingencies
- Moving the boxes
- Vendor alignment

Network focus on:
- Overall network
- Long-term (2-15 year horizon)
- Conceptual design
- Across markets
- Strings (loops)



Lay up ships – close space on Terminals?

Requires vast improvement in communications

> Significant interaction between stakeholder (capture joint knowledge)

> Some reactiveness, some proactiveness

> Scale benefits – can they be realized?

> Risks to the forecast

> Finding the opportunities – Customer value drivers

> Do we design to 1) sell what we have
>
> 2) design what we can sell

> And then…
>
> - During Execution – Things Change
> - Collaborate with Customers/Vendors and Adapt

Future Considerations…
Value Drivers – Lowest Cost and Reliability

- **The upward trajectory of port and rail costs from the U.S. West Coast ports to the Mid-West makes this transportation unsustainable at today's ocean shipping rates.**
  - This is of most immediate concern for cargo entering the U.S. from Southern California ports.

- **If nothing changes, this international intermodal cargo will continue to shift to the East Coast and Western Canada.**
  - In today's economy, you can expect cargo to eventually follow the most economic route.
  - The market will reward the "path of lowest cost" in the end for larger and larger amounts of cargo.

- **The cost gap between moving a container from a vessel moored alongside and East Coast terminal to Chicago, Memphis or Atlanta and making the same move off the West Coast is large already**
  - The cost trends on both coasts will only increase that gap unless something changes.
  - New ocean services through the Suez and Panama Canals take advantage of this gap
  - Widening of the Panama Canal will accelerate the trend

- **- A "quantum drop" in rail and port costs in the West is the only way to keep growth volumes flowing through that window.**

Thank you……