



NAWE National Association of
Waterfront Employers



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“Negotiating Strategies / Surviving the Competitive Marine Terminal Industry”

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OVERVIEW: CERES TERMINALS INCORPORATED



1958

Founded in Chicago

1966

Canada Operations Began

2002

Acquired by Nippon Yusen Kaisha (NYK) & Operates as a Wholly-Owned Subsidiary Within the NYK Group of Companies



*Corporate Headquarters
East Brunswick, NJ USA*

- **One of the largest Stevedores & Marine Terminal Operators in North America providing best practice expertise in handling containers, autos, roll on/roll off, breakbulk, bulk, project & cruise vessel operations.**
- **Operations in 20 North America Port Locations**
- **Ceres Group & Affiliates employ approx. 280 people & manage nearly 5 million man-hours of labor annually.**
- **ISO 9001: 2008 Certified in Major North America Ports**
- **Security & safety is paramount in all Ceres operations. We are an active participant in U.S. Customs & Borders' C-TPAT Programs. Ceres' Corporate Director of Compliance reinforces our commitment & actively participates in Federal, State & Local processes & procedures.**



NORTH AMERICA LOCATIONS

VANCOUVER

HALIFAX

MONTREAL

DULUTH

BROOKLYN
BAYONNE

BALTIMORE

NORFOLK

PORT
HUENEME

NASHVILLE

CHARLESTON

SAVANNAH

BRUNSWICK

JACKSONVILLE

PORT CANAVERAL

PORT EVERGLADES

MIAMI

NEW ORLEANS

HOUSTON

GALVESTON

TAMPA

Where We Are?

- ❑ 20 years ago there were nearly 40 liner carriers serving North America from major trading sectors: Asia, Europe, South America and Central America.
- ❑ Alliances were formed to save fixed vessel costs and expand networks.
- ❑ Today we have major alliances:
 - Maersk, CMA, MSC
 - Grand Alliance – NYK-Hapag-Lloyd-OOCL-- moving to G-6 Alliance, including APL, MOL, HMM (now in Europe, Asia trades)
 - CKYH – COSCO, “K” Line, Yang Ming, Hanjin
 - New World Alliance (NWA) – APL, MOL, HMM
 - Evergreen, MOL
 - Hanjin, HMM, Evergreen, NYK (East Coast South America)

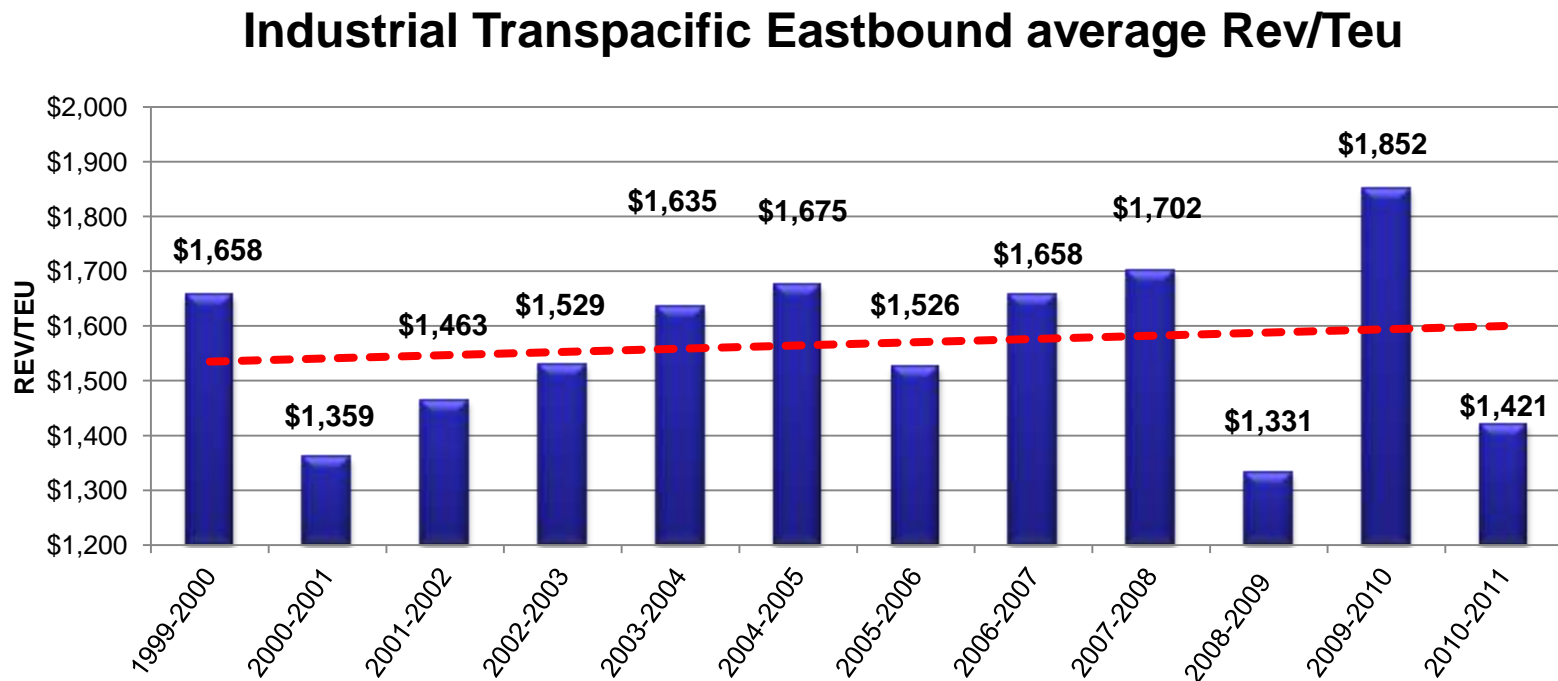
Where We Are?

- ☐ Carriers continue to purchase slots with major alliances, though not members of the alliance.
- ☐ Ocean freight rates extremely cyclical.
- ☐ Debt increasing for most carriers , weakening balance sheets.
- ☐ Port coverage is important and as result of alliance growth, complicates negotiations.
- ☐ In most cases, ship operator within the alliance pays port and terminal costs. Stevedoring costs can be managed by individual members.
- ☐ Consensus among partners critical.

Rate Trends - Where are we today?

Average TP rate change

The lost decade +2 — Rates continue to be below cost increase averages

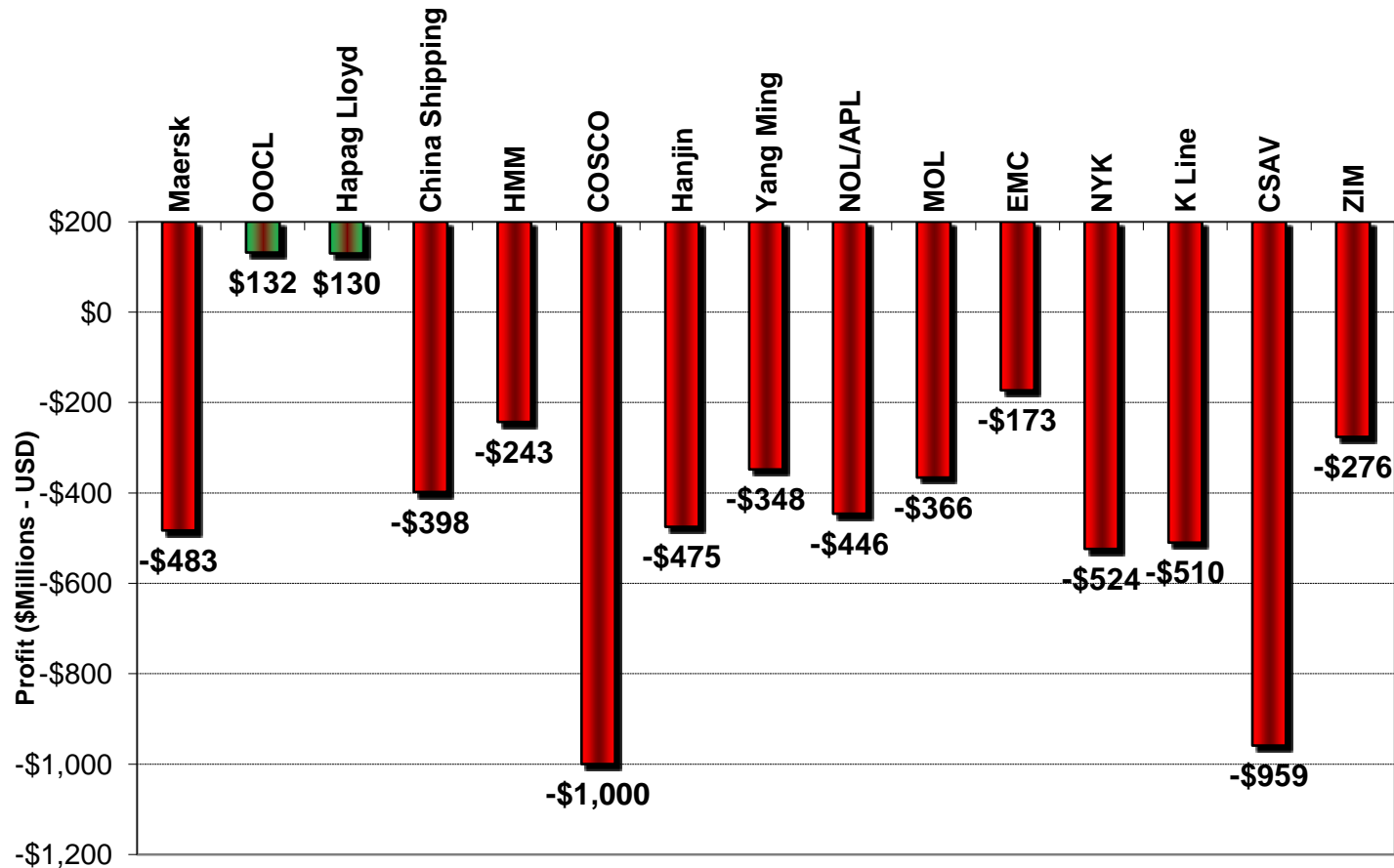


Nov. 2011 TSA Archives/Smith Barney- Citigroup Container Trade Report, Containerization International

Industry Health Check

Carrier Operating Profit 2011

Liner Returns 2011 – Return on Capital below all Industry Averages



Industry Health Check

Carrier Cash Positions Are Getting Thin

Carrier Cash Position as of April 1, 2012

Carrier	Currency	Total Debt	Cash	Debt to Cash Ratio
Wan Hai	TWD m	\$26,062	\$23,888	1.1
OOIL	US\$m	\$2,672	\$2,099	1.3
H-L	Eur m	\$1,897	\$673	2.8
CSCL	RMB m	\$17,964	\$7,073	2.5
Evergreen	TWD m	\$50,830	\$23,006	2.2
APM Maersk	DKK m	\$109,798	\$13,095	8.4
NOL	US\$m	\$2,354	\$228	10.3
COSCO	RMB m	\$77,026	\$47,473	1.6
MOL	JPY m	\$817,428	\$45,684	17.9
CMA CGM	US\$m	\$6,108	\$857	7.1
NYK	JPY m	\$1,013,841	\$139,032	7.3
CSAV	US\$m	\$1,169	\$173	6.8
K Line	US\$m	\$7,062	\$1,134	6.2
Yang Ming	TWD m	\$81,270	\$11,251	7.2
HMM	KRW Bn	\$6,015	\$679	8.9
Hanjin	KRW Bn	\$7,307	\$561	13.0
Zim	US\$m	\$2,517	\$198	12.7

Shifting Spotlight

- ❑ 2014 expansion will shift draft constraint spotlight from Panama (now 39-6 TFW) to USEC ports, particularly those in the southeast
- ❑ Dredging plans for many US ports likely won't match the canal expansion completion date
- ❑ Ports/terminals ready now are Hampton Roads, Global Terminals/NJ, Baltimore (1 berth) (Halifax too)

Likely Arrival Profile

Assuming a 2014 panamax version vessel sails Panama at max draft of 50', it'll arrive east coast ports at about 48.5', more or less. There will be fuel burn, further lightening the vessel, but that may be offset by ballast intake. 48.5' paints a challenging picture for most USEC ports

U.S. Ports Main Channel Depths

Depths at Mean Low Water (MLW)

U.S. East Coast	MLW
Boston	40'
New York / New Jersey	45'
Philadelphia	40'
Baltimore	50'
Norfolk	50'
Wilmington	38'
Charleston	45'
Savannah	42'
Jacksonville	40'
Tampa	43'
Miami	42'

U.S. East Coast	MLW
Everglades	44'
Manatee	40'
U.S. Gulf	MLW
Houston	45'
New Orleans	45'
U.S. West Coast	MLW
LA / Long Beach	50'
Oakland	50'
Portland	40'
Seattle / Tacoma	50'

- ❑ 50' maximum draft is a feature of an ULCS (13,000 teu and up), which would still be post panamax after the canal expansion. A more likely scenario is the 8,000-12,000 range vessel size, which typically has a maximum draft in the 47'- 48' range
- ❑ Maximum draft is typically calculated based on 14 tons/teu. e/b tp cargo weighs in much lighter – in the 9-10 tons/teu range. w/b backhaul cargo is a mix of heavy base cargoes (wastepaper, clay, reefer, etc.) and empties, resulting in a similar net weight/teu. As a result, large container ships typically sail in a full but not down condition.

Taking the likely scenario – a new panamax vessel sailing Panama at 46' - 48' (TFW) would arrive USEC ports in the 44.5' - 46.5' range. Again, it'll probably be less given actual cargo weights. Sampling of current and planned East coast channel depths as follows:

Port/Draft	2011	Future	Comment
Miami	42	50	2014??
Everglades	44	50	???
Jacksonville	40	50	2018?? Funding Approvals
Savannah	42	47	2014/15/16?? Approvals Funding
Charleston	45	50	2014/15/16?? Approvals Funding
Norfolk	50	50	Ready to go
Baltimore	50	50	Only 1 container berth at 50'
NY / NJ	45	50	2014?? Air draft Bayonne Bridge?
Global NJ	50	50	Ready to go, expanding

So Where Will They Go?

West coast ports will likely maintain current transpacific market share and some will go there:

- ☐ Quicker transit for time sensitive cargoes
- ☐ Most major carriers have terminal investments on USWC, which they will endeavor to fully utilize
- ☐ Many of the terminals can digest the big ships
- ☐ Canal fee increases may partially offset cost differential between all-water and land bridge routing

So What Does All This Really Mean for Stevedores/TO's??

Unlike carriers, who's assets are mobile, terminal operators and Ports are committed to a location, which is a conspicuous risk element

Short to medium term planning increasingly difficult:

- ☐ Carriers unwilling/unable to commit long term – they don't know what's going to happen
- ☐ Uncertainty in liner market due to over tonnage
- ☐ Financial situation of current client base – who will survive?

But Somebody Will Show Up – so what are the operating challenges?

- ☐ Vessel planning/stowage
- ☐ Cranes/Productivity
- ☐ Pad Congestion
- ☐ Dock Congestion
- ☐ Gate Congestion
- ☐ Grooming of Export Pads
- ☐ Dwell time/segregation of imports
- ☐ Additional Gangs and Equipment
- ☐ Labor Issues/Opposition to Automation
- ☐ Additional Tugs and Pilots in some cases

Conclusions Near Term

- ❑ Lines and alliances contemplating various deployments, service options and evaluation.
- ❑ 8000 plus vessels already in play (MSC, CMA). More of this size to come.
- ❑ Transition to increased use of larger vessels likely gradual, phased in over time.
- ❑ Alliances will call at fewer ports.
- ❑ There will be winners on losers.