

# American Association of Port Authorities

## *Shifting International Trade Routes*

Thomas D. Perdue

President – Ports America Stevedoring

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# Key Themes

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- Global economy still undergoing recovery
- Over vessel capacity continued to plague the carrier side of the market
- Cost management is and will be key
- Adjustments to supply chain and inventory strategies
- Focus on automation and labor flexibility

# Industry in Transition Mode Until 2014-2015

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- The industry will be in transition until at least 2014 and even into 2015. Currently, there are a number of negative influences affecting the industry including:
  - Global demand is weak
  - Asset prices are low
  - Ship financing is restricted
  - Freight rates are under pressure
  - Fuel prices are high, and
  - Carriers have serious problems with cascading and deployment
- Most economists expect the US economy to grow about 2% into 2013, while the Euro-Zone is forecasted to achieve minimal growth in 2013

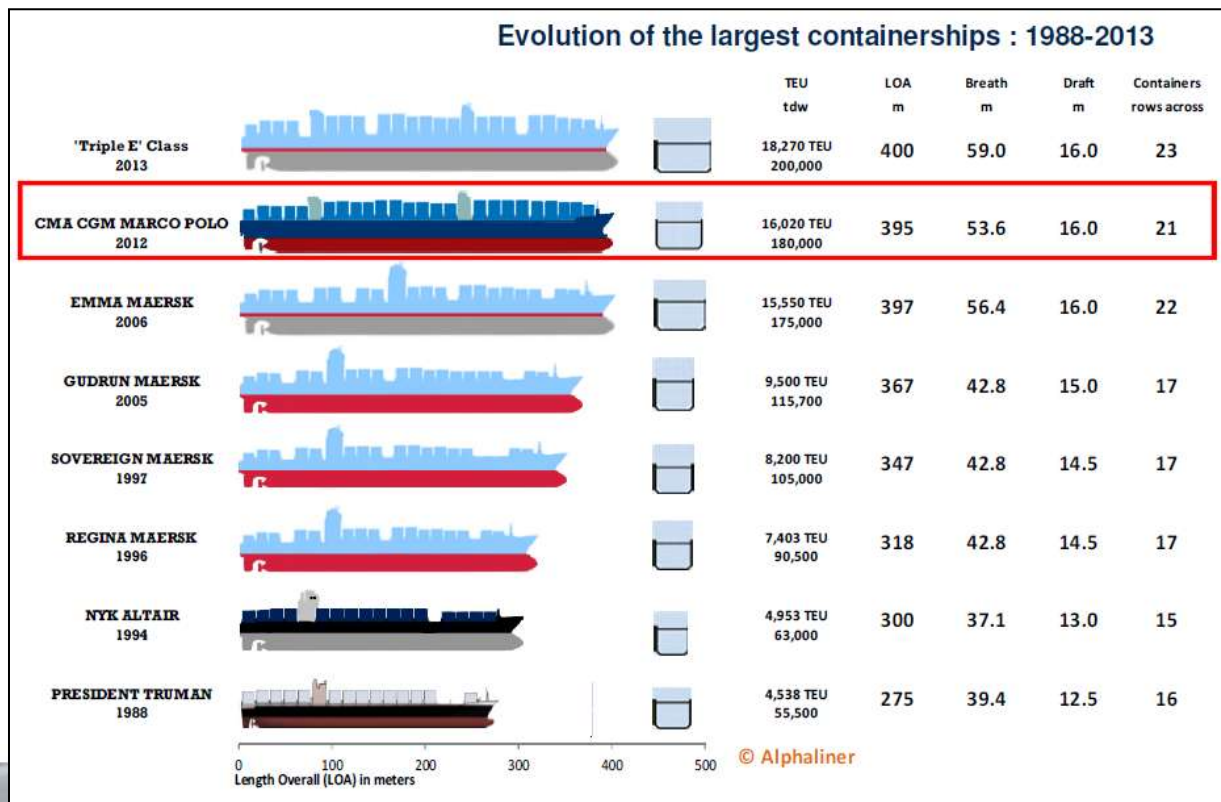
# Emerging Trends to Weather the Storm

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- The industry must continue to adapt in order to weather this difficult period. For the short-to-mid-term, expect to see the following trends becoming more apparent:
  - More vessel sharing arrangements and operational alliances across all trade routes
  - Proactive reaction to supply-demand imbalances and the emergence of more market leaders
  - More consolidation among ship owners
  - Scrapping could increase due to low asset prices and more fuel-efficient designs
  - Slow steaming increases, especially in North-South trade lanes, and
  - Increased idling of vessels and move to idling larger ships.

# Stakes Raised in Race for Larger Containerships

- The delivery of the CMA CGM *Marco Polo* marks another milestone for the container shipping industry. The new 16,020 TEU ship breaks the record held by the Maersk 'E'-class ships for the highest nominal capacity on a containership
- Two more vessels of the same class will join the CMA CGM fleet in April 2013. They will hold the record until June 2013 -- when the first of the Maersk 'EEE'-class ships with an even higher nominal capacity of 18,270 TEUs are delivered.



# Panama Canal Expansion (Mid-2015)

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- Preparing for mid 2015
- Cascading of larger ships into the U.S. trade lanes
- Ports getting ready to meet the demand of the Canal widening (e.g. port dredging, Bayonne Bridge)
- Panama Canal will provide great economies of scale, as well as contribute to faster flow of global commerce
- Ports America's large multi-coastal footprint will be ready