

Marine Terminal Management Training Program

Trends in Container Terminal Development & Operations

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About Me

Doug Hansen, Director of Strategic Planning and IT

- 1998 Graduate of the University of Rhode Island (Marine Affairs/Poli Sci)
- 16 Years in the Industry
- Began in Philadelphia in Breakbulk Terminal and Shipping Operations
- 12 Years in Container terminal operations, design and commercial management
- Developed terminals in Zeebrugge, Belgium; Luanda, Angola; Santos, Brazil
- Lived most of the past 12 years in England, Belgium and Holland
- The last 2+ years with YTI (Ceres) in Los Angeles – we are in the midst of the EIR process required to upgrade the terminal to accommodate 13kteu container vessels

Our History

1958

Ceres Founded in Chicago

1966

Canada Operations Began

1991

Yusen Terminals Inc. (YTI), a wholly-owned subsidiary within the NYK Group opened as a full service container terminal in the Port of Los Angeles with a 25 year lease

2002

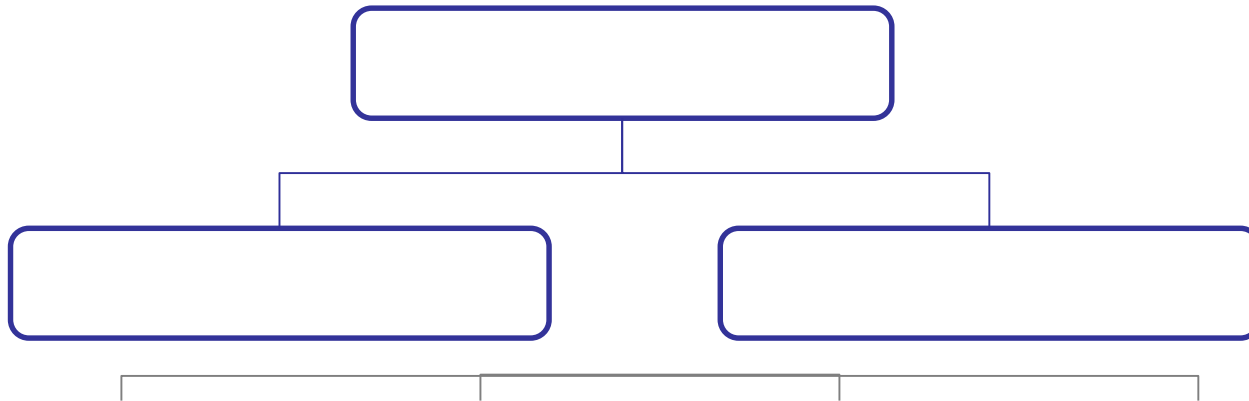
Ceres acquired by Nippon Yusen Kaisha (NYK) & Operates as a Wholly-Owned Subsidiary Within the NYK Group of Companies

2013

YTI announces plan to redevelop terminal in Los Angeles. Ceres and YTI brought together under single CEO in order to develop corporate synergies



Who we are and what we do



Trends I Have Observed

2004-present

North America, Gate automation and re-design

- What triggers are needed to act? (Port Capacity)
- Was action taken sat the right time? (Stakeholder Perception)



Photo credit: wssa.com

Trends I Have Observed

2010

South America, Terminal redevelopment

- What is right for the terminal company? (Capital Allocation)
- Is the solution right for the market? (Customer Service)



Photo credit: apmterminals.com

3 Major Trends I See

1. Increased alliance prevalence
2. Ability to shift cargo - USEC/WC trade patterns
3. Growing use of terminal automation

Increased Alliance Prevalence

G6, 2M, O3, CKYH-E Alliances add complexity

What do these alliances mean?

- Larger Vessels : 13kteu + in LA/LB today
- Need for higher productivity (Dispatch larger vessels in same time slot)
- Liner flexibility in terminal selection, Shippers demands of Lines
- Challenges around chassis availability, intermodal providers and terminal congestion

What is your view on port capabilities, space for chassis pools, empty depots and the like?

USEC/WC Trade Shifts

Even without the Panama Canal, large ships are calling the USEC

USWC containerized trade down 1% in August from 2013.

Is the shift systemic or temporary?

USEC/WC Trade Shifts

Some items to consider:

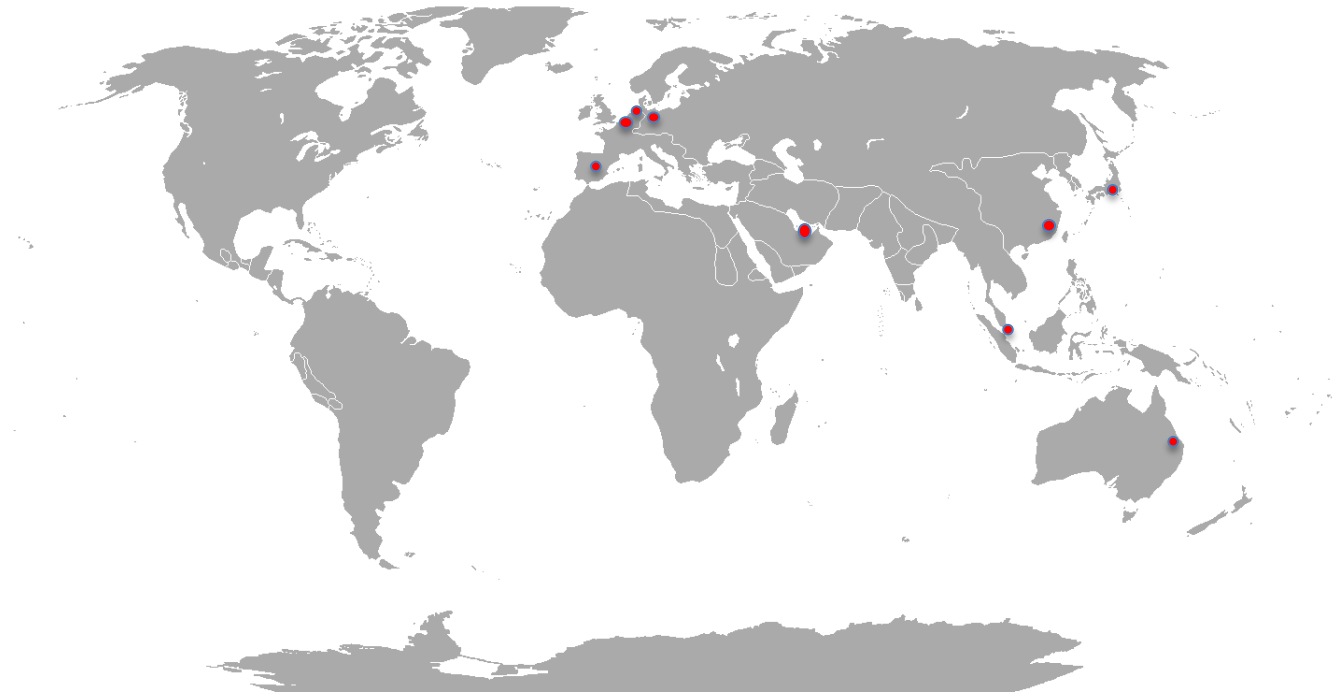
- Port/Terminal water and landside infrastructure
- Liner strategy to utilize larger vessels to gain cost advantages
- Lines will seek out lowest cost, path of least resistance through the ports and to their inland customers
- Ports on both coasts will find themselves having to deal with large ships, it's no longer a West Coast issue only

Growing use of Automation

Globally

Semi-automated terminals are on-line or being developed in:

Rotterdam
Abu Dhabi
Antwerp
China
Hamburg
Spain
Singapore
Australia
Japan



Growing use of Automation Nationally

2007: APM Terminals Virginia opens in Portsmouth

2014: Global terminal opens semi-automated yard in Bayonne, NJ

2015/16: TraPac and LBCT Middle Harbor to open in LA/LB



Photo credit: apmterminals.com

Growing use of Automation

Two Important Considerations

- Actual benefits of automation in the US not fully known
- Argument for interim automation because not everyone can afford it, nor do they require it

What would I do?

- Prepare – some ports have had to build out toward the sea, operators in those ports also embraced change.
- Look at my business/my port, and understand where I fit geographically and financially into the supply chain
- MINO – Money Is No Object – perform and exercise with my team to define what we would do if money were no object, this can then help shape our strategy
- Stakeholder engagement – remain in touch with my customers to be sure what I think is important, they think is important



Photo credit: apmterminals.com

Don't become obsolete...

Remember

Liner Alliances

Shifting Trades and Needs

Technology and Automation

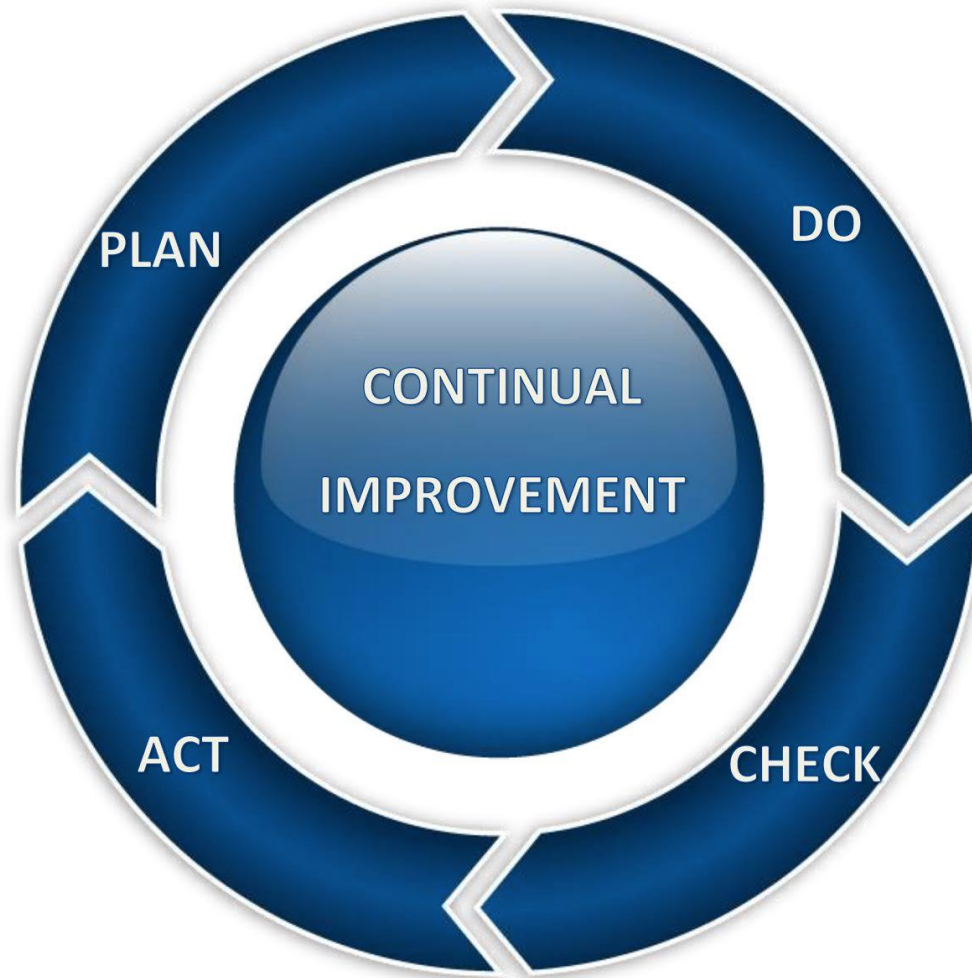
Finally, Remember

The maritime trade business is constantly **changing**

Prepare yourselves to understand the **change**

Embrace **change** Effectively

Begin Now to:





Alliance of the Ports of Canada, the Caribbean, Latin America and the United States

Thank You



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Questions?

Appendix

Investors and Port/Terminal Consolidation

In a business climate characterized by persistent overcapacity, weak demand, disastrous freight rates, tight credit, low scrap prices, rising fuel costs and an increasingly burdensome regulatory regime, ship-owners, already encumbered by high levels of debt, face a bleak near-term future. Many are already teetering on the edge of insolvency. It will likely get worse. As the new ships on order are delivered into a market that is already oversupplied, freight rates will almost certainly remain depressed in most segments.

To be sure, the owners placing orders for new-generation more fuel-efficient ships may emerge the winners. They are betting that savings in fuel costs will give them a competitive advantage over other shipping companies operating older less-efficient tonnage. They may be right, but they will still continue to struggle for solvency.

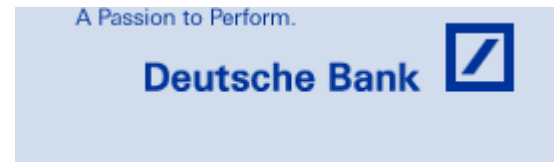
“The problem is there are too many ships in the market, so better demand can help but not much. And the ordering spree from private equities this year may prolong the downturn.” Research conducted by the analyst has revealed that the 21 carriers of the top 30 that publish financial results reported an overall loss of \$239 million in 2012, with seven returning a profit.

Maritime Professional Blog

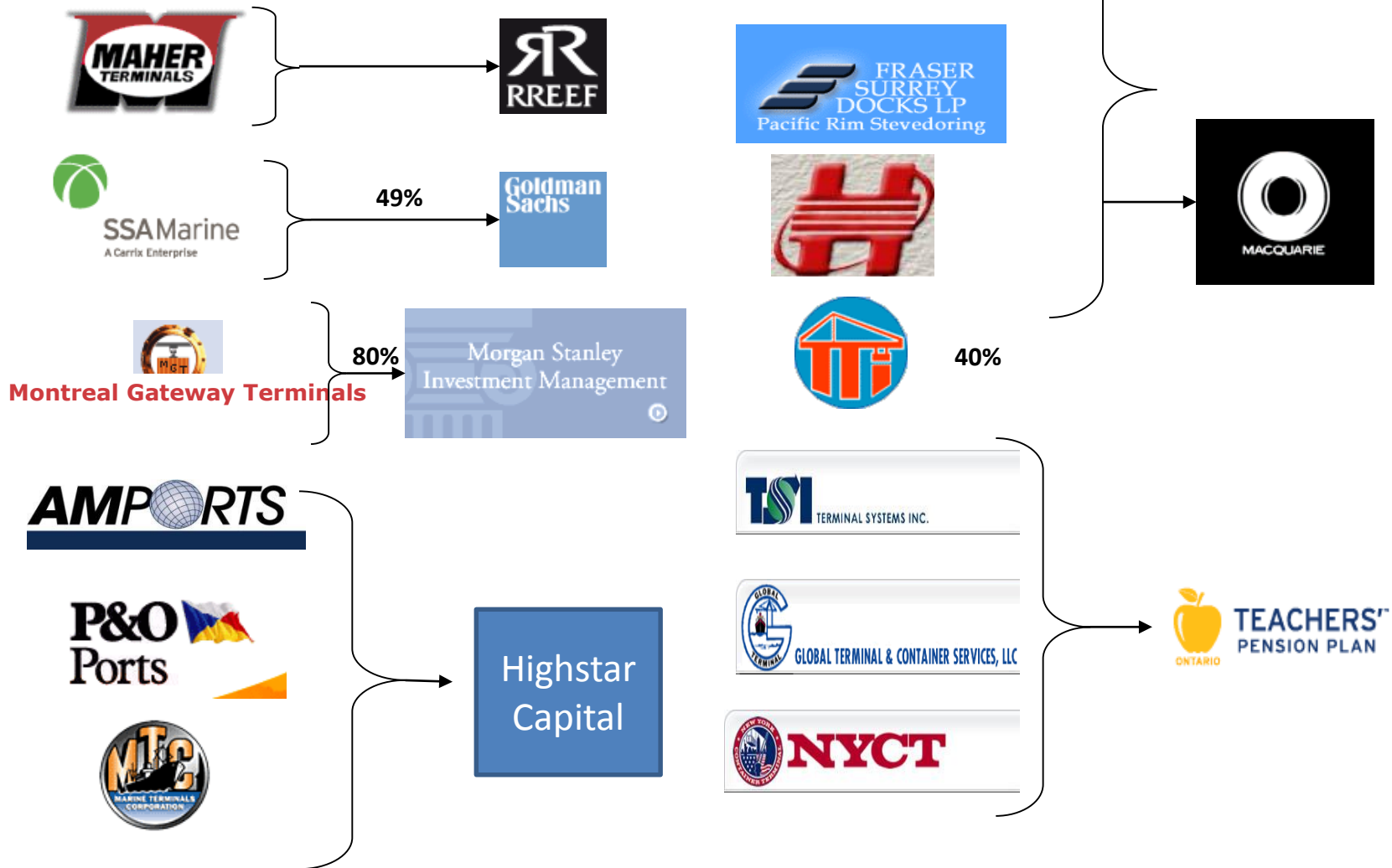


New Players In North America Since 2006

Date	Target	TEU Volume	Acquirer	Price	Price/TEU	EBITDA Multiple	Comment
Sep-06	Hanjin		Macquarie Bank	\$348,000,000			40% Stake in LB/Oak/Sea/KHH/OSA/TKO
Nov-06	OOIL Terminals	2,568,000	Ontario Teachers' Pension Plan	\$2,400,000,000	\$934.58	26.9	TSI, NYCT, Global
Dec-06	Halterm	210,000	Macquarie Bank	\$157,430,000	\$749.67	22.9	
Dec-06	DP World U.S.	2,593,000	Highstar Capital	\$1,100,000,000	\$424.22	23.0	
Feb-07	Montreal Gateway	995,000	Morgan Stanley	\$409,500,000	\$514.45	22.4	80% Stake
Mar-07	Maher Terminals	1,900,000	Deutsche Bank	\$2,100,000,000	\$1,105.26	40+	
Apr-07	Amports		Highstar Capital	\$430,000,000	N/A		
May-07	MTC	2,458,000	Highstar Capital	\$860,000,000	\$349.88	13.0	
Jul-07	SSA	22,000,000	Goldman Sachs	\$1,600,000,000	\$148.42	31.0	49% Stake
				\$9,404,930,000			



WHO PURCHASED WHO?



Key Differences



- Willing to spend big bucks
- Using other people's money
- May consolidate and/or spin off group companies
- Envisioned flipping for near term gain



Using their own money
Appear to be in the business
for the long haul

Port Consolidation?

Port Authorities are the only players in the global supply chain system that have not yet aggressively moved toward consolidation/acquisition/joint ventures to improve economies of scale, operating efficiencies and stabilization/improvement of return on assets.

Is there a sea change coming and does it make economic sense?

Private sector money seems to be backing away from these investments for the near term – will Port Authorities look to collaborate more closely rather than duplicate spending on capacity/assets in limited market range and also eliminate predatory pricing to protect “market share” for political reasons?



Should you go corporate or get the local government/authority to own and operate a port?

At the river port of Sacramento a division of SSA Marine is taking over the master lease at the Port of Sacramento. The five-year lease will bring \$650,000 to West Sacramento each year.

Virginia on the other hand is doing the opposite. The state government is taking over the whole operation and reducing Virginia International Terminals to a shell with no executive powers.

