

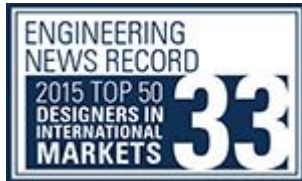
THE GLOBAL ECONOMY

CRISIS OR OPPORTUNITY FOR LATIN AMERICAN PORTS?

1 December 2015

Who is Cardno? Global reach, local experience

Port Master Planning & Land Use
Environmental focus
Asset management in ports
Construction management



GLOBAL

STAFF

8,200

OFFICES

300+

COUNTRIES CARDNO HAS COMPLETED PROJECTS

100+

AMERICAS

STAFF

4,700

OFFICES

200+

Cardno's Zero Harm Program

A culture of safety. Every job. Every day.

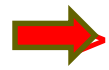
- > Committed to a rigorous approach to safety in all our operations
- > Conduct business in a way that protects people and the environment
- > Continually improving our safety systems
- > We annually receive performance safety awards from energy-sector clients that have the most stringent safety standards



Leading Actions

1. Take responsibility
2. Always be risk aware
3. Everyone is involved
4. Communicate
5. Report incidents and concerns

Topics



WHAT YOU CAN'T CONTROL

- > BIG SHIPS AND THE CANAL EXPANSION
- > A NEW CANAL IN NICARAGUA?
- > WHAT COULD MAKE THESE FORECASTS GO WRONG?

The WORLD outlook is . . .

Steady

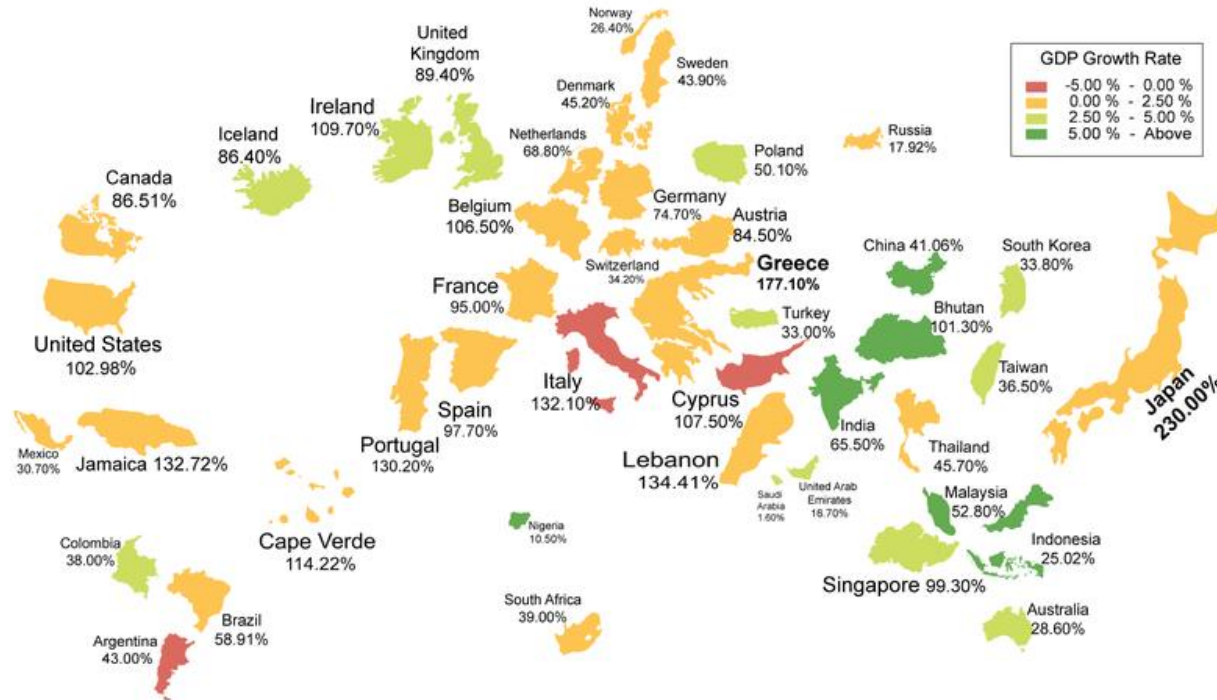
	2014	2015	2016
Real GDP (%)	2.3	2.4	2.6

But . . .

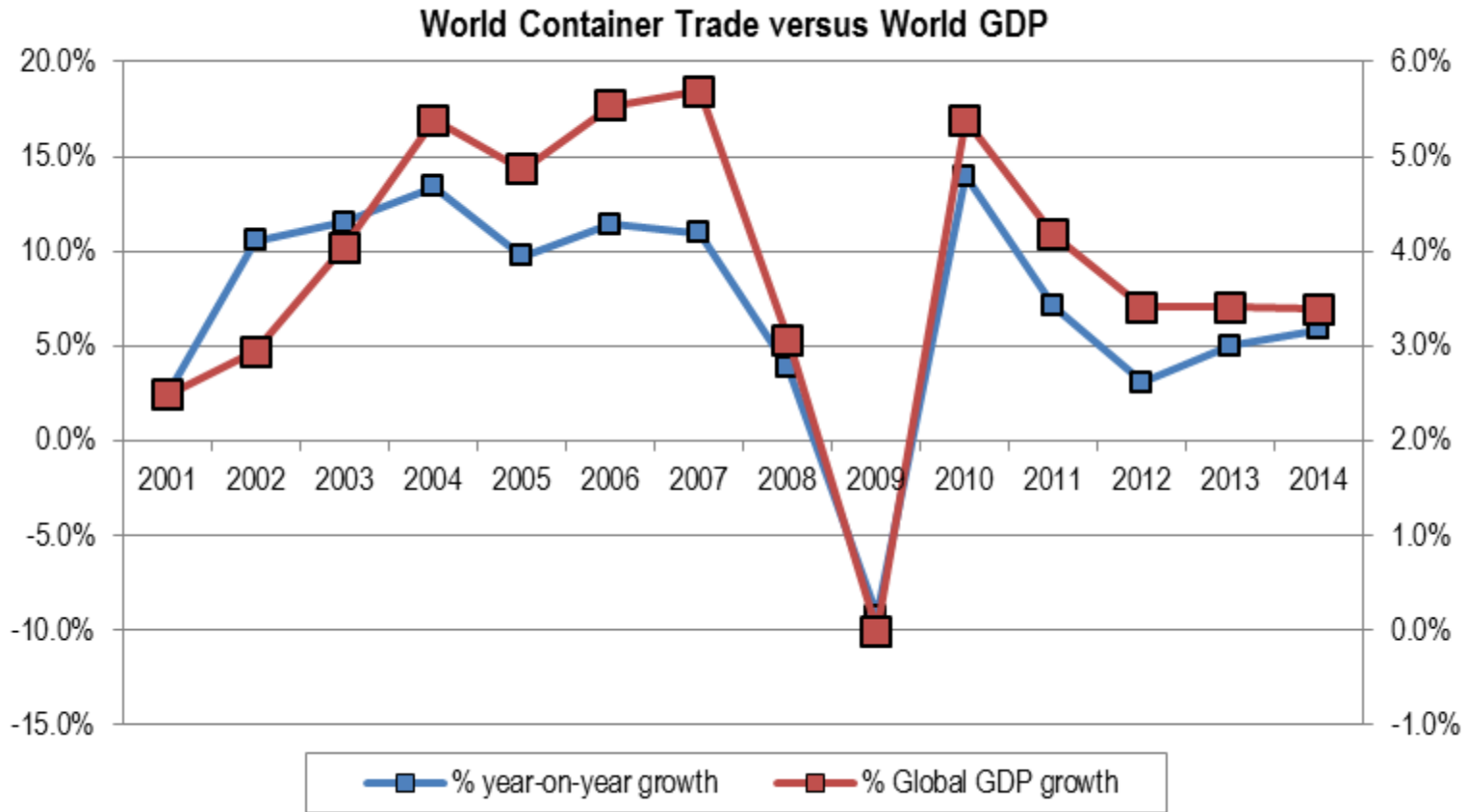
Source: Economist Intelligence Unit

The RED countries are not economically sustainable.

Countries Scaled to the Unsustainability of their Debt
Debt-to-GDP Ratio (%)

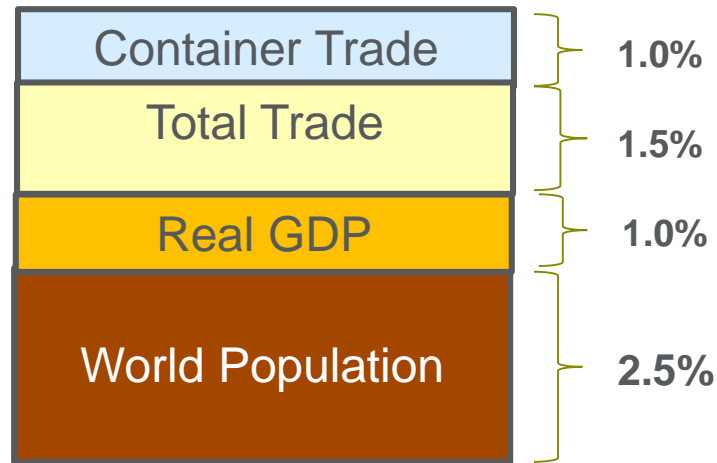


Container trade tracks GDP growth



Trade will continue to grow – Long term view

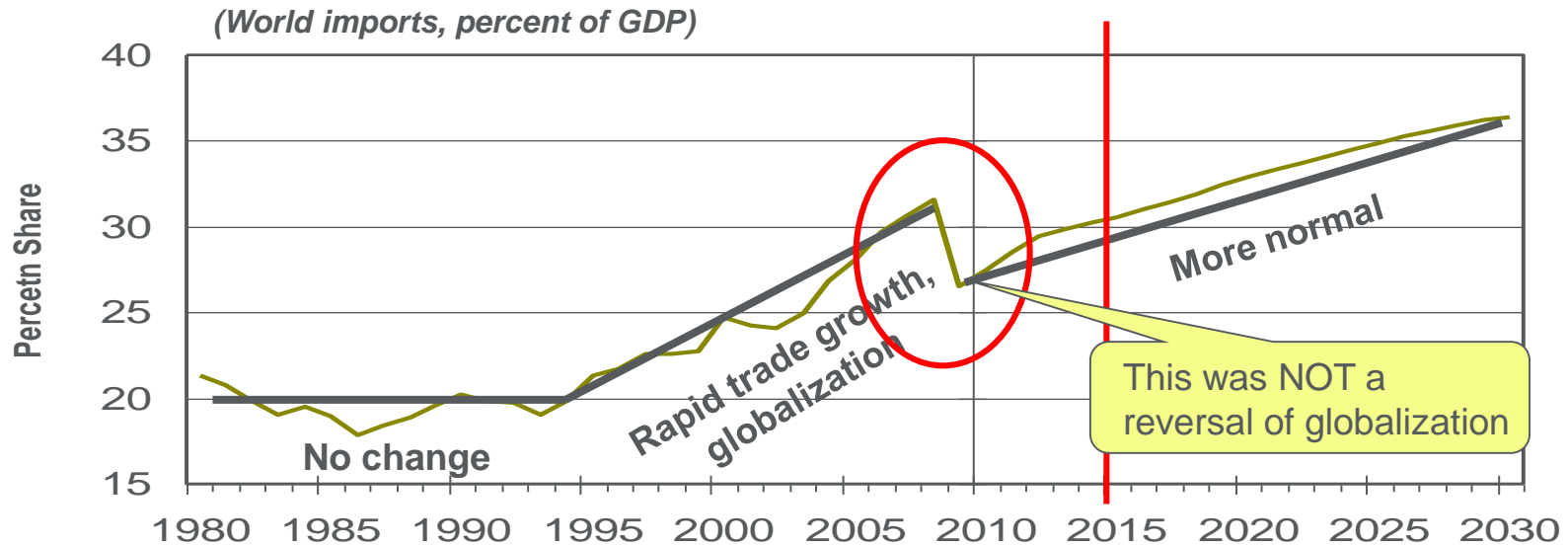
6.0% = long term potential



Source: Cardno



Globalization trend is *long-term*

Globalization trend is *long-term* and has not reversed or stopped



Source: IHS Global Insight

Short term economic outlooks

	<u>2014</u>	<u>2015</u>	<u>2016</u>	
	Bolivia	5.4%	4.4%	4.0%
	Colombia	4.6%	2.9%	2.9%
	Chile	4.6%	2.2%	2.6%
	Costa Rica	3.5%	3.1%	3.7%
	Mexico	2.9%	2.3%	2.9%
	Panamá	7.0%	6.1%	6.3%
	Perú	5.5%	2.8%	3.6%
	USA	2.4%	2.5%	2.3%
	Canada	2.3%	1.2%	2.2%
	Argentina	-1.6%	1.0%	1.1%
	Brazil	1.3%	-2.7%	-0.8%
	Venezuela	-3.0%	-6.6%	-2.9%

(-3.3%?)

Fuentes: LatinFocus, TradingEconomics, BBVA, FocusEconomics, The Conference Board, OECD, Cardno Inc., World Bank., IMF = updated Sept 2015

Is the *Alianza del Pacifico* working?

Alianza del Pacifico

8th largest economic region

214 million people

\$1.25 trillion – stock markets

32 observer states

All the ingredients to be successful!!



Key ports WCSA

117.2 Million = Alliance population
141.5 Million with Ecuador and Bolivia

Income per Capita

Colombia	\$13,480
Ecuador	\$11,303
Peru	\$11,860
Chile	\$23,057
World	\$15,000



Topics

> WHAT YOU CAN'T CONTROL

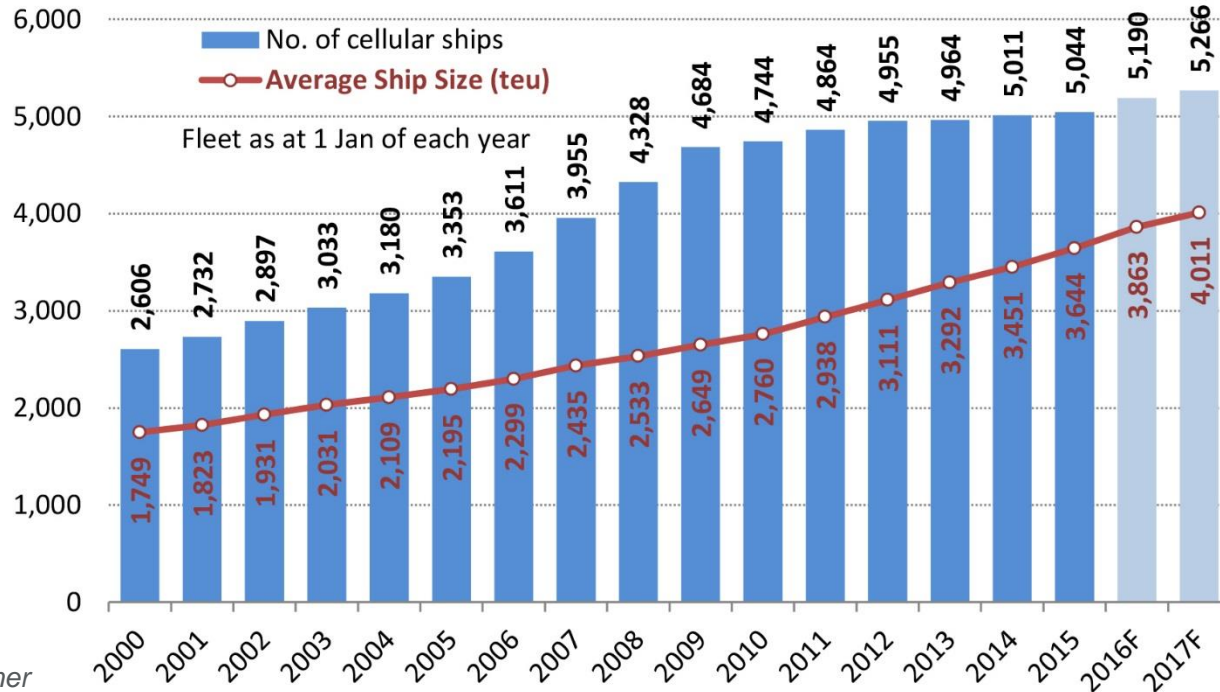
 **BIG SHIPS AND THE CANAL EXPANSION**

> A NEW CANAL IN NICARAGUA?

> WHAT COULD MAKE THESE FORECASTS GO WRONG?

Containerships – too many, too large

World Fleet / Average Vessel Size



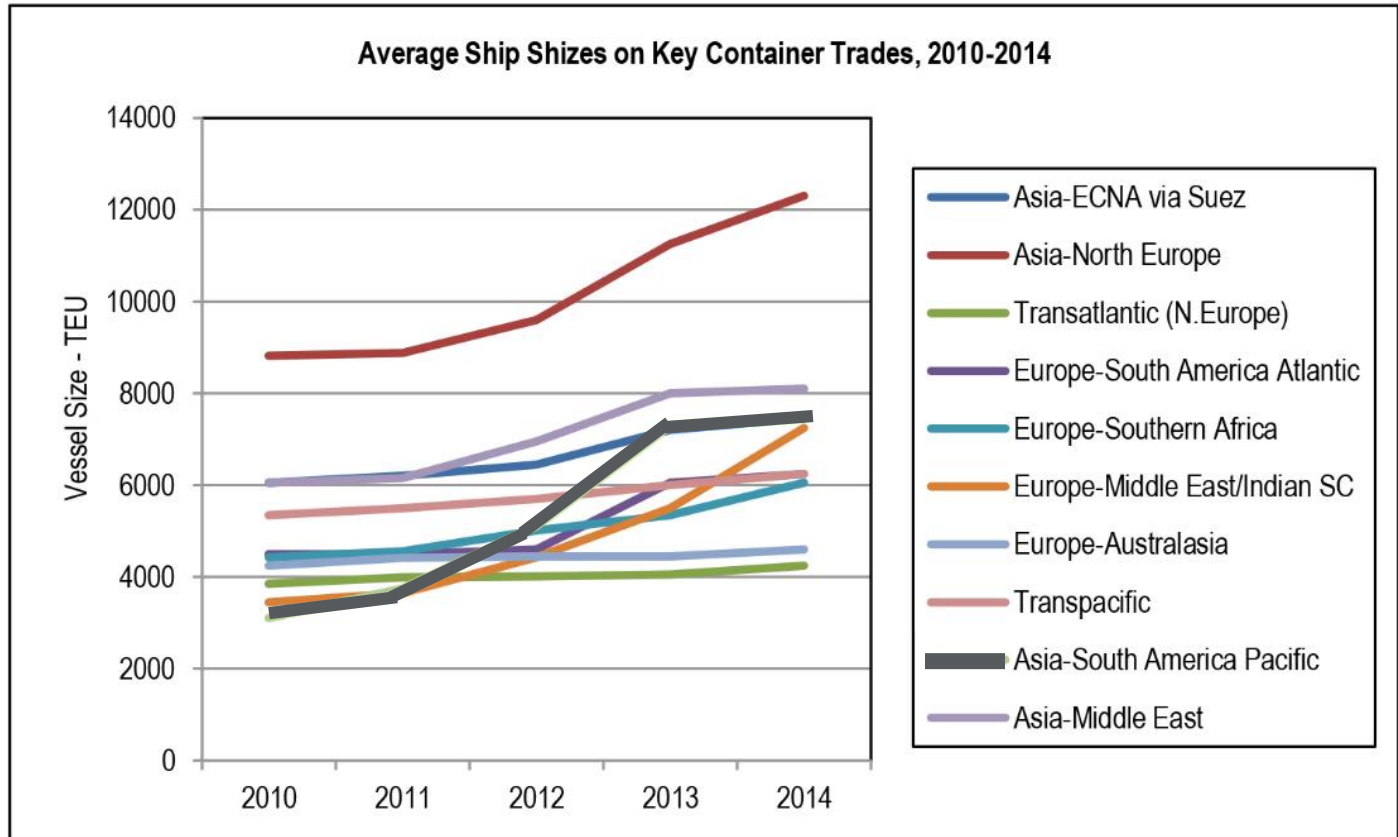
Source: Alphaliner

Wider ships!

Panamax ships may be disappearing.
Is dredging in the USEC really needed?



Bigger ships are calling WCSA



Source: OCS & Alphaliner

Larger Vessels – 60% of new capacity on order is in PPX ships!

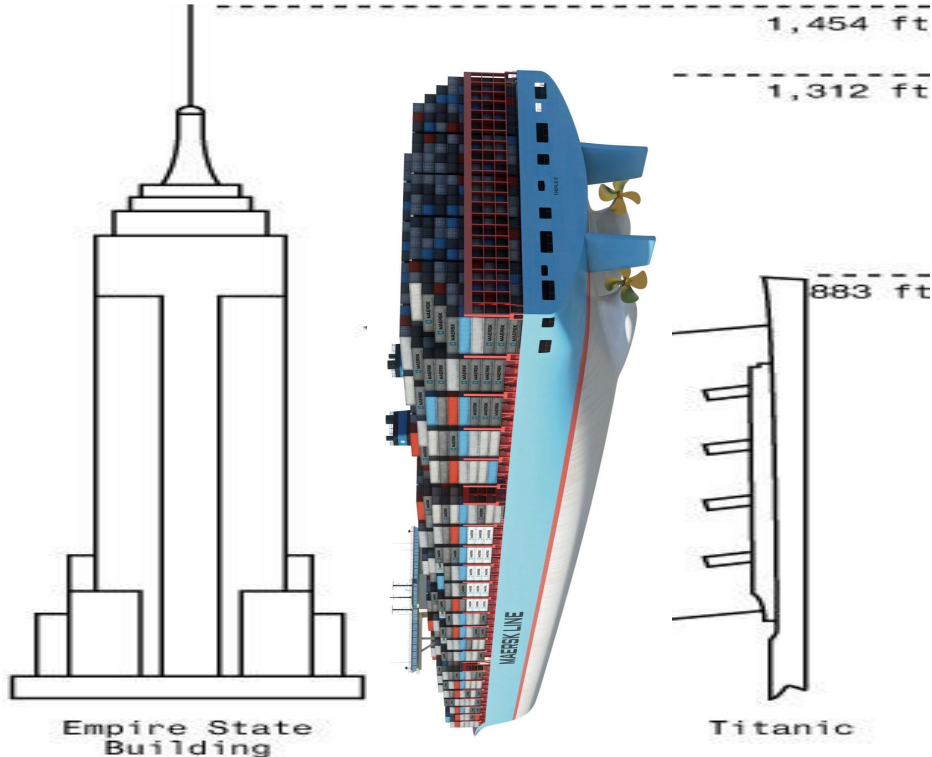


Larger Vessels: Maersk Triple E



Already too big for the expanded Canal

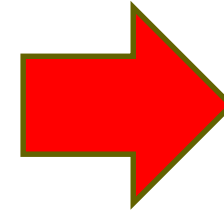
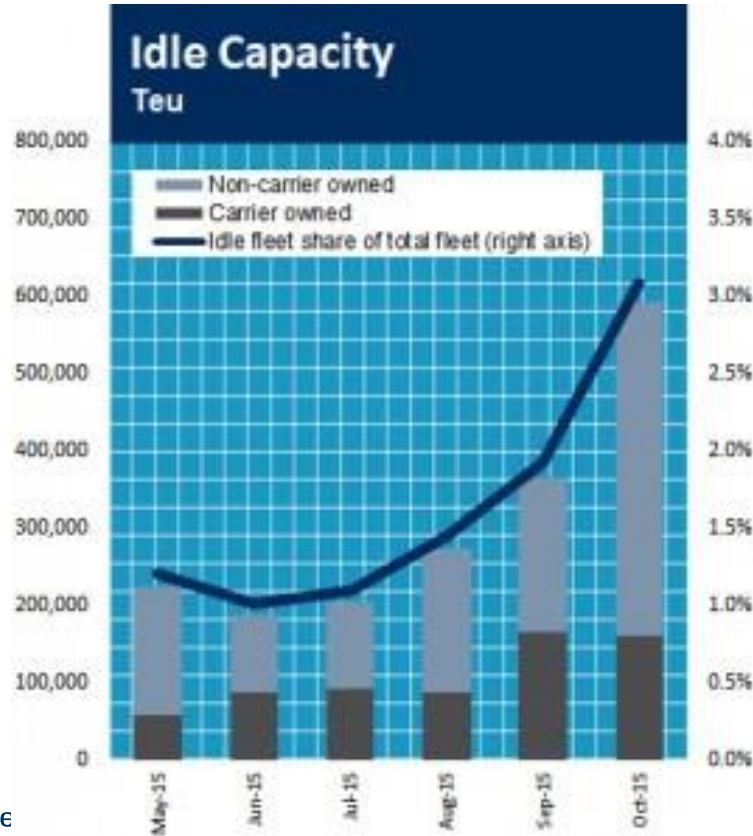
Larger Vessels: Maersk Triple E



New shoes for:

- > Guatemala
- > El Salvador
- > Honduras
- > Nicaragua
- > Costa Rica
- > Panama
- > Colombia
- > ½ Venezuela

Record levels of idle capacity



**Weak
or
Non-existent
Profits**

Source: Drewry

Demand for Transshipment in the Caribbean will definitely grow!



Moín – Limón, Costa Rica

A new modern reefer port

- > \$992 million by APM Terminals
- > Designed for 100% domestic cargo only – but transshipment is possible
- > Concession signed in August, 2011
- > 1.2M TEU in Year 1 (2016-17)
- > It's all about productivity



(c) Copyright Anywhere Costa Rica, www.anywherecostarica.com

A sub-hub transshipment point?

Leaks in the Panama Canal locks



Shift back to Panama

“Put the biggest ships possible through the expanded Canal”

- > Shipping lines all seem to be thinking the same thing
- > In the end, it's all about the cost



Topics

> WHAT YOU CAN'T CONTROL

> BIG SHIPS AND THE CANAL EXPANSION

➔ **A NEW CANAL IN NICARAGUA?**

> WHAT COULD MAKE THESE FORECASTS GO WRONG?

“You can have part of my country!”



The rights – more than a canal

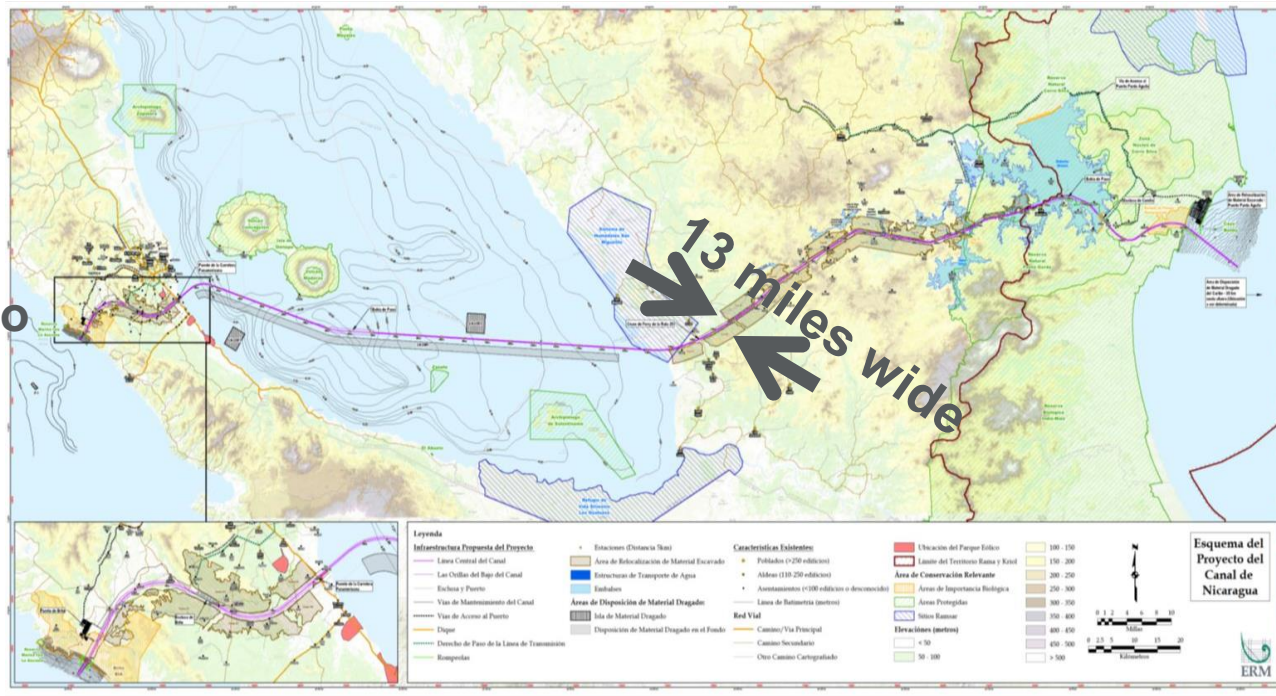


The concession cuts across Nicaragua and gives HKND rights for 50 + 50 years

Corridor under control of developers

Puerto Brito

Punta Gorda



EL GRAN CANAL - NICARAGUA:

Multimodal Logistics Center for Regional and World Trade



1. Un Canal para buques uniendo el Mar Caribe y el Océano Pacífico

10 – a global project to ensure the integration & management of all the projects

9 – other related infrastructure: highways, living quarters



6. Una Zona de Libre Comercio en la Costa Caribe

4 – a free trade zone on the Caribbean

5 – a free trade zone on the Pacific

3. Una Zona de Libre Comercio en la Costa del Pacífico

7. Una Zona de Libre Comercio en la Costa del Pacífico

7 – a Free Trade Zone on the Pacific Coast

coordinación entre Subproyectos

HKND has been planning

- > 4,000 people involved, mainly in China
- > \$900 million budgeted for studies and engineering
- > The workforce will be 50,000
 - Nicaragua 25,000
 - China 12,500
 - Other 12,500
- > 100,000 lbs of food will be needed every day to sustain the crew
- > A new lake (Lago Atlanta) will be built on the Caribbean side – 385km²
- > Finished in 2020? 2021? 2030?



Companies contracted by HKND

Consultora económica más prestigiosa del mundo



HKND

5ta Consultora ambiental y social, según el ranking del EHS Journal.

5ta firma de abogados más prestigiosa de los Estados Unidos

Relaciones públicas con base en Washington DC

Comunicaciones con los medios financieros (Bloomberg, Financial Times, entre otros)

MEC Mining. Australia. Minería a cielo abierto e ingeniería civil

Ingeniería civil, sede en Bélgica; Se especializa en esclusas y canales



- Grupo de Maquinaria de Construcción Xuzhou (**XCMG**)
- N° 7 del sector de maquinaria de construcción de China



Naviera

China Ocean Shipping (Group) Company (**COSCO**);

- Líder mundial en transporte marítimo



- Marina Internacional de Contenedores de China (**CIMC**);
- El mayor fabricante mundial de contenedores marítimos



- Corporación Nacional de Materiales de Construcción de China (**CNBM**)
- Mayor grupo de la industria de materiales de construcción en China



Y..OTROS INVERISIONISTAS A FUTURO AL DISPONER DE LOS ESTUDIOS DE FACTIBILIDAD

Source: HKND

What is happening on the ground?



Since 22 December 2014 . . .

A new method of dredging?



Shoveling sand near Puerto Brito

Since 22 December 2014 . . .

2020 Nicaragua Canal - really?

- > “How can the Chinese get a return on their investment?”
 - Wrong question
- > The money is not in the canal
 - It’s in the associated businesses
- > How will the Panama Canal react?
 - Already reacting

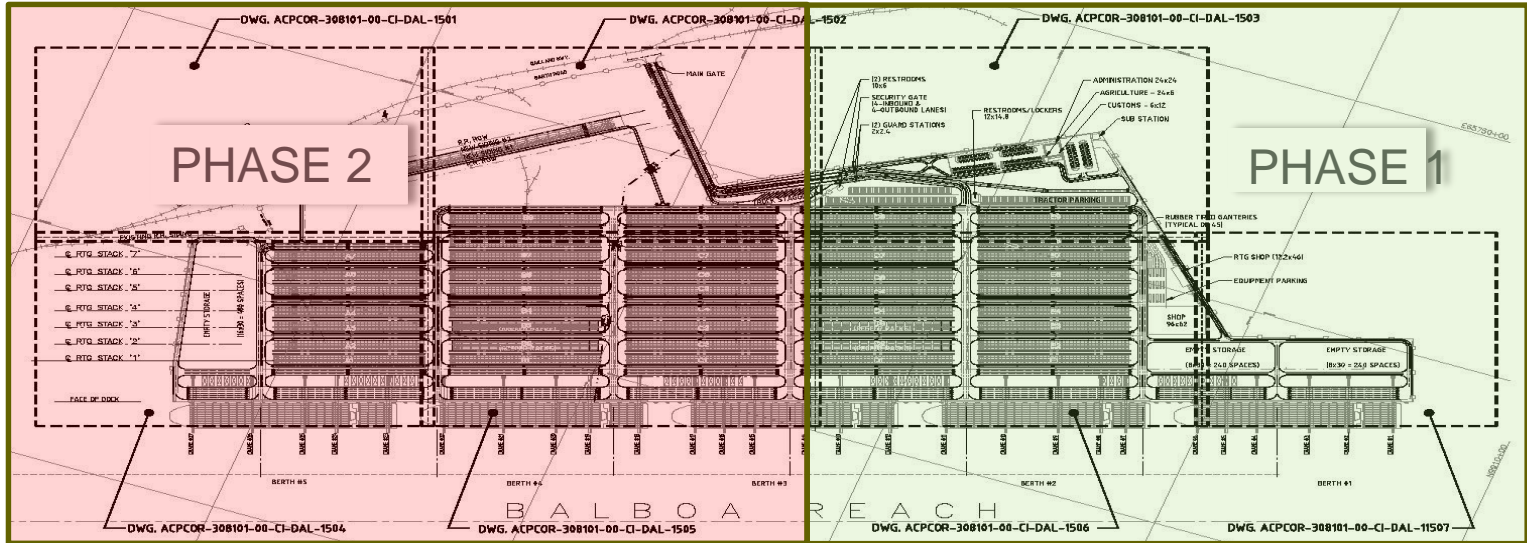
A new transshipment option in Panama?



Corozal, next to the railway



New Transshipment Terminal Corozal Terminal



- > Phase 1: 2.4M TEU
- > Phase 2; +1.5M TEU
- > Final: Quay 2,081 m; 27 STS; 3.9M TEU; 99 ha of CY

Topics

- > WHAT YOU CAN'T CONTROL
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 **WHAT COULD MAKE THESE FORECASTS GO WRONG?**

What could make these forecasts go wrong?

> The Castro Deal



Just eliminate the embargo !



OK – but we want normal relations with a country that respects human rights

Result – deal reversal

What could make these forecasts go wrong?

➤ Socialist USA – the Bernie (Sanders)-ization process

➤ The transportation industry

NATIONALIZED!

➤ The energy industry

NATIONALIZED!

None of this would be good for the USA in general, or for trade in particular

What could make these forecasts go wrong?

➤ China in our backyard

- Investments in infrastructure
- Where will be military base



What could make these forecasts go wrong?

- **Argentina turns around – Already starting**
- **Venezuela returns from the dead – December 6 2015**

Keep your plans up to date!!

