






# **2007 AAPA ANNUAL CONVENTION**

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# Agenda

- Company Overview
  - Import Philosophy
  - Port Selection Criteria
  - U.S. Market Conditions
  - Shipper Trends
  - Signs of Progress
- 



# Company Overview

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- Comprised of:
  - Target Stores
  - Associated Merchandising Corporation
  - target.direct
  - Guest Credit Services

# Company Overview

- Target Store Count 1,502
- Operating in 47 states
- Operate 26 Regional DC's and 5 Import Warehouses
- Sales of \$55.0 billion (2006)
- Second Largest Containerized Importer

# Company Overview

- Import Gateways
  - Los Angeles/Long Beach
  - Seattle/Tacoma
  - Norfolk
  - Savannah
  - Dallas
  - New York (AMC business)

# Company Overview

- Volume
  - 200,435 FEU's
  - 68% West Coast
  - 32% East Coast






# **Import Philosophy**



# Import Philosophy

- Just-in-time retailer
  - Merchants order product based on in-store need
  - Published shipping grid assists merchants with in-store dates
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# Import Philosophy

- Benefits
  - Reduced supply chain inventory
  - Increased turnover
- Operational Guidelines
  - Strive to pickup containers the day of availability
  - Utilize off-hours gates whenever available (LA pickup 68% of activity off-hours)
  - Facilities work 24/7



# **Port Selection Criteria**

# Port Selection Criteria

- Broad market coverage
- Sailing schedules and frequency
- Transit Times
- Availability of weekend/after hour access
- Technology use for port efficiencies

# Port Selection Criteria

- Infrastructure at port
  - On dock rail
  - Deep water vs. continued dredging challenges
  - Access in and out of terminals
  - Freeway access
  - Road congestion/environmental issues
- Involvement by the port with terminals, and shippers



# **U.S. Market Conditions**

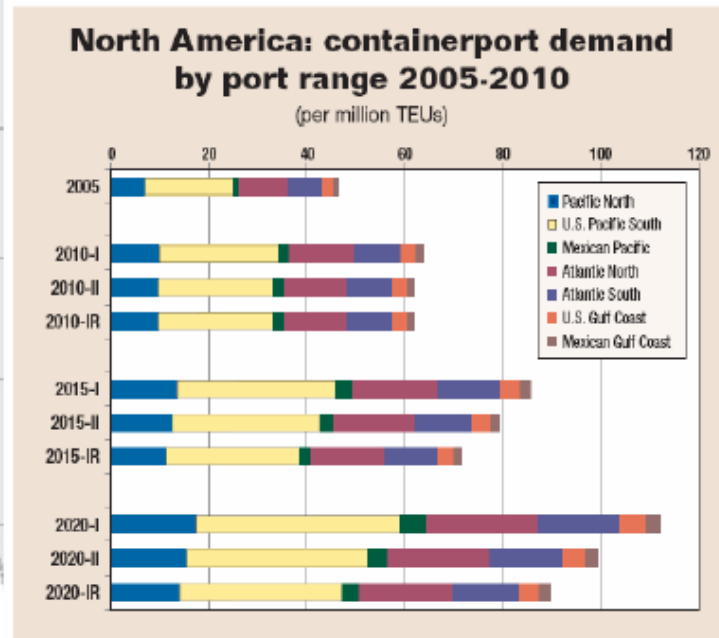
# U.S. Market Conditions

- The U.S. Economy has been transformed by unprecedented growth in Imports
- Growth in infrastructure and freight transportation productivity have not kept pace with growth
- Rapid growth has caused significant issues in air quality, traffic congestion, environmental impacts to local communities



# Container Port Demand 2005-2010

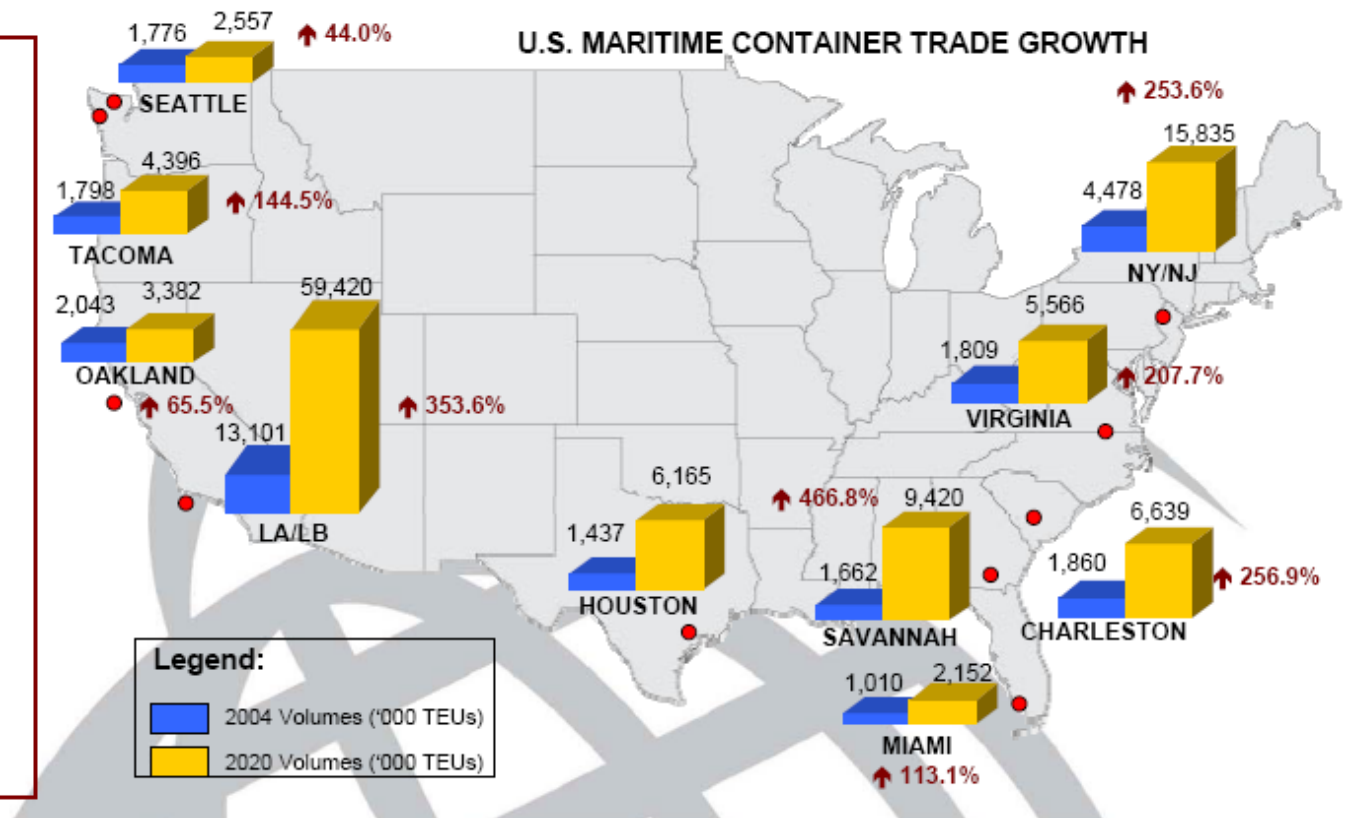
- Forecast call for roughly 50% growth in volumes over U.S. Ports between 2005 and 2010
- Volumes more than double by 2020



Source: The Manufacturing Institute, *Innovators in Supply Chain Security*, July 2006.


# Infrastructure Issues: Current & Future

- Container imports are expected to double by 2020
- Rail freight tonnage is expected to increase by 50% by 2020
- Air cargo volume is expected to increase by 5% every year through 2016
- From 1970 to 2003, vehicle travel on highways rose by 161% but road mileage only increased by 6%
- Congestion costs US\$63 billion in wasted time & fuel
- Half of the nation's 257 locks on inland waterways are functionally obsolete
- Of the 590,750 bridges, 27% are structurally deficient or obsolete
- Most ports have not been dredged to handle the 10,000-TEU jumbo containerhips being built





# U.S. Market Conditions

- Issues are leading to creation of special interest groups determined to develop solutions that meet their needs
  - Efforts lead to a division between stakeholders resulting in unhealthy legislation
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# Infrastructure Issues: Viewpoint

- The challenges which negatively impact 'Flow' today will become greater over time
- Pressure on ports will continue
- As rail volumes rise, and investment fails to keep pace with growth, rail velocity will continue to slip
- It remains to be seen whether actions being taken to stimulate investment in infrastructure will increase the pace of development rapidly enough



# Shipper Trends

# Shipper Trends

- Shippers moving to alternative gateways due to ongoing congestion issues, lack of new infrastructure (East Coast, Canada, Mexico)
- Shift away from IPI to local trans-load due to increasing rail costs/congestion
- Increases in fees I.E. PierPass are driving shippers to look for alternatives



# Signs of Progress

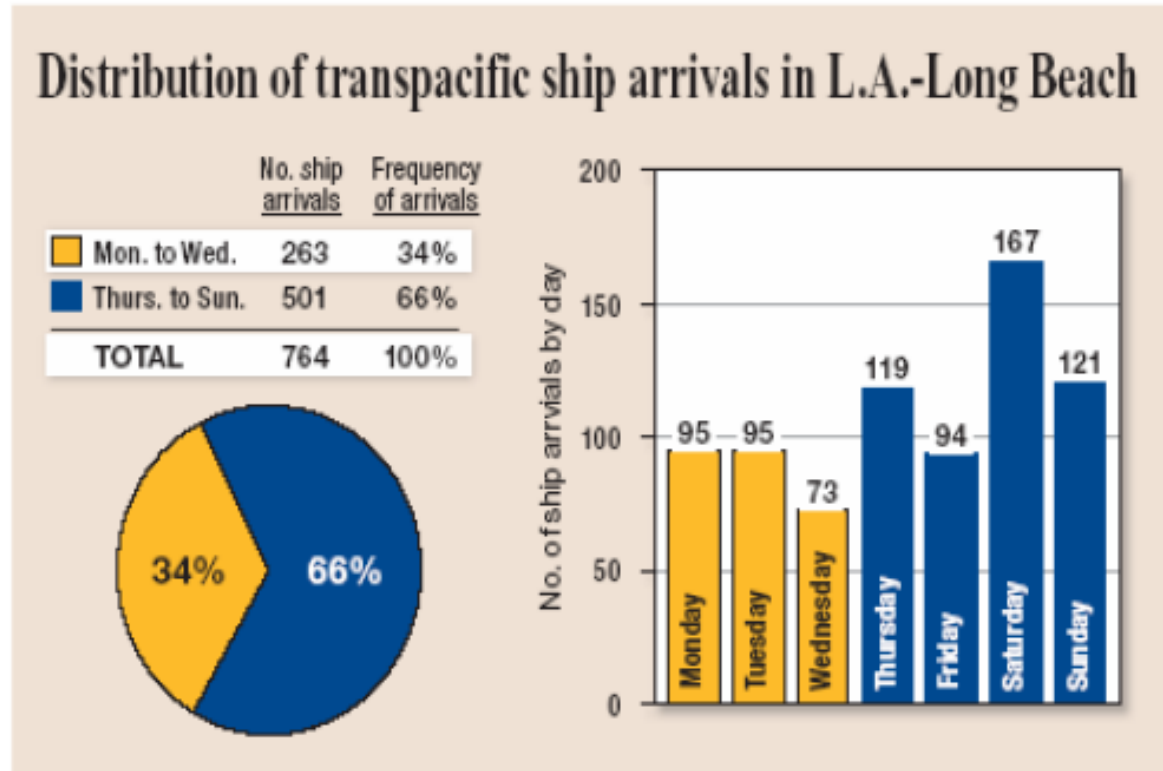
# Positive Developments

- Increased awareness: shippers, industry, government on board
- Work on National Freight policy
- Public/private collaboration: PierPass
- Technology at the ports
- Investment stimulus: rail tax credit proposed
- Capital projects identified
- Industry stepping up to its environmental responsibility



# Utilize Assets Better

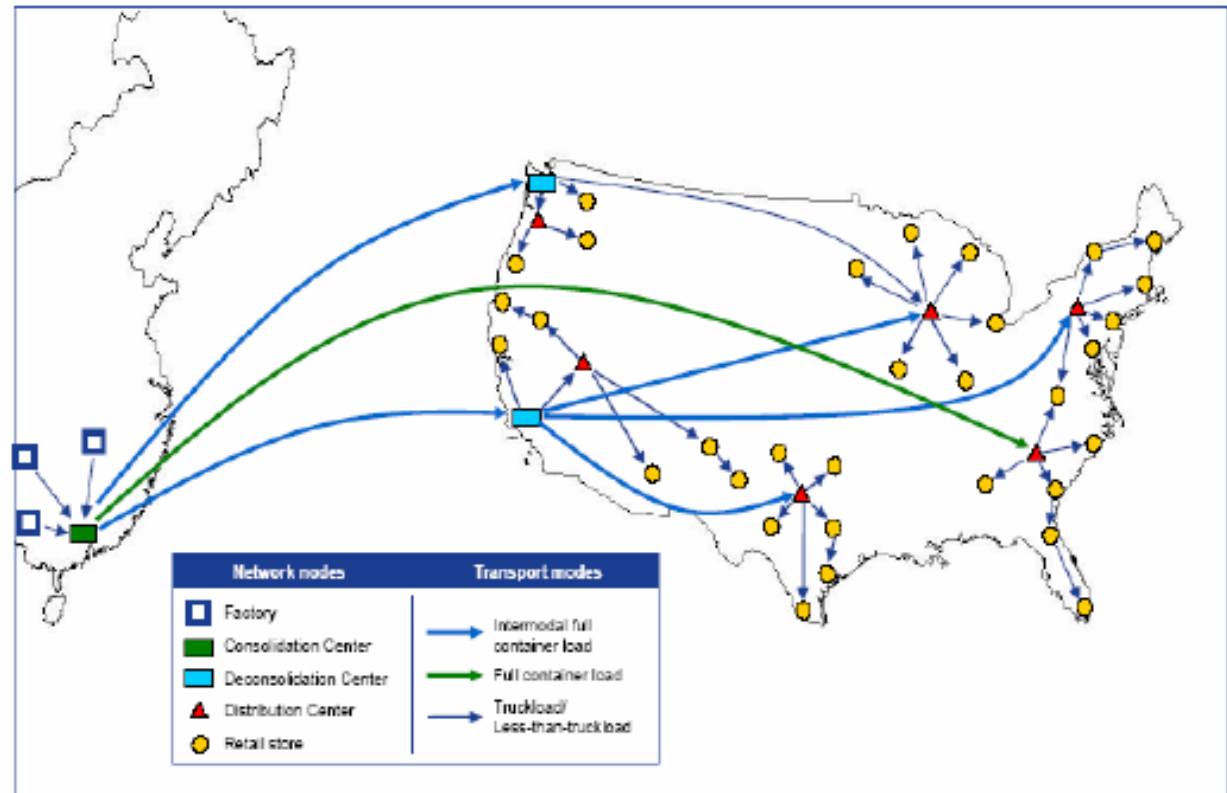
- Naturally, as terminals become more congested “unused” capacity off the weekly peak will be used
- Challenge is to change the production schedules or cycles of factories and Asian cut-offs



Source: Drewry Container Shipper Insight report (study of April-Sept. 2006 arrivals).

# Access Slack in Port and Landside Networks

- Maximize the use alternate gateways
- Access “slack” in the port and landside network
- Link to a more flexible domestic distribution positioning



# The Priorities



**Improvements of intermodal  
Infrastructure  
rail performance**



**National Freight Policy**



**Public-Private Partnerships**



**Adequate  
Funding**



**Enhance Port Productivity**