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8 June 2016

Cargo Optimization

Jersey City, NJ, USA

IS THE OUTLOOK REALLY THAT BLEAK?



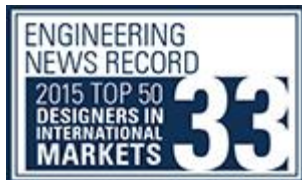
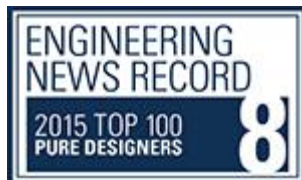
Global reach, local experience

Port Master Planning & Land Use

Environmental focus

Asset management in ports

Construction management



GLOBAL

STAFF

6500+

OFFICES

200+

COUNTRIES CARDNO HAS COMPLETED PROJECTS

100+

AMERICAS

STAFF

3500+

OFFICES

150+

 **THE WORLD – Is there growth out there?**

WHAT ARE THE THREATS?

BIG SHIPS AND THE CANAL EXPANSION

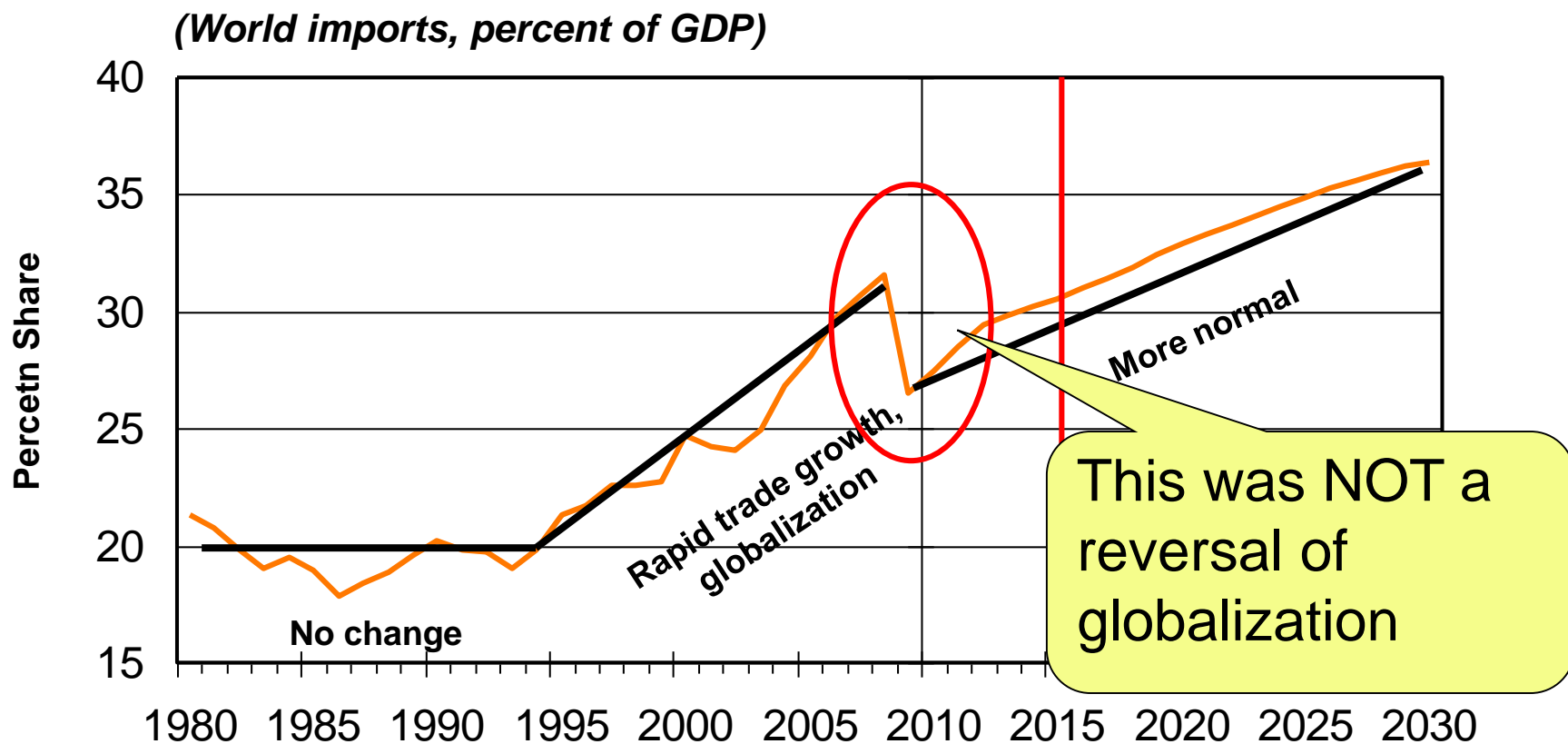
A NEW CANAL IN NICARAGUA?

Steadily improving

| | 2014 | 2015 | 2016 |
|--------------|------|------|------|
| Real GDP (%) | 2.3 | 2.4 | 2.6 |

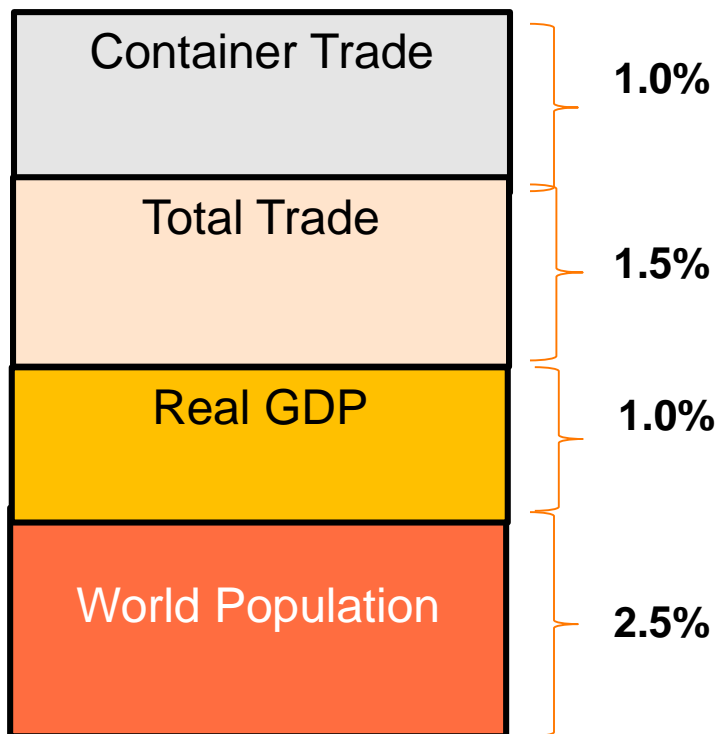
Trade's share of the economy is still climbing.

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



TEU trade will continue to grow – Long term view

6.0% = long term potential



Europe is suffering 'malaise'

2015 TEUs, millions

Baltic -1.32

NW Europe
--.616



All of Europe -2.3

Closer to home, in the short term, the economic outlooks are mixed.

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | |
|-----------------|-------------|-------------|-------------|-------|
| Strong ↑ | Colombia | 4.6% | 3.1% | 2.5% |
| | Chile | 4.6% | 2.5% | 2.0% |
| | Costa Rica | 3.5% | 3.7% | 3.7% |
| | Mexico | 2.9% | 2.5% | 2.5% |
| | Panamá | 7.0% | 5.8% | 6.1% |
| | Perú | 5.5% | 3.3% | 3.3% |
| | USA | 2.4% | 2.5% | 2.3% |
| | Canada | 2.3% | 1.2% | 1.5% |
| Weak ↓ | Argentina | -1.6% | 2.1% | -0.3% |
| | Brazil | 1.3% | -3.8% | -3.4% |
| | Venezuela | -3.0% | -5.7% | -7.2% |

Is the *Pacific Alliance* working?



Is the *Pacific Alliance* working?

In the last 3 years, the Pacific Alliance has accomplished more than the other free-trade efforts in the last 30 years.

Will the US join?

Combined the stock markets
Lowered tariffs to near zero
Free movement of people



THE WORLD – Is there growth out there?



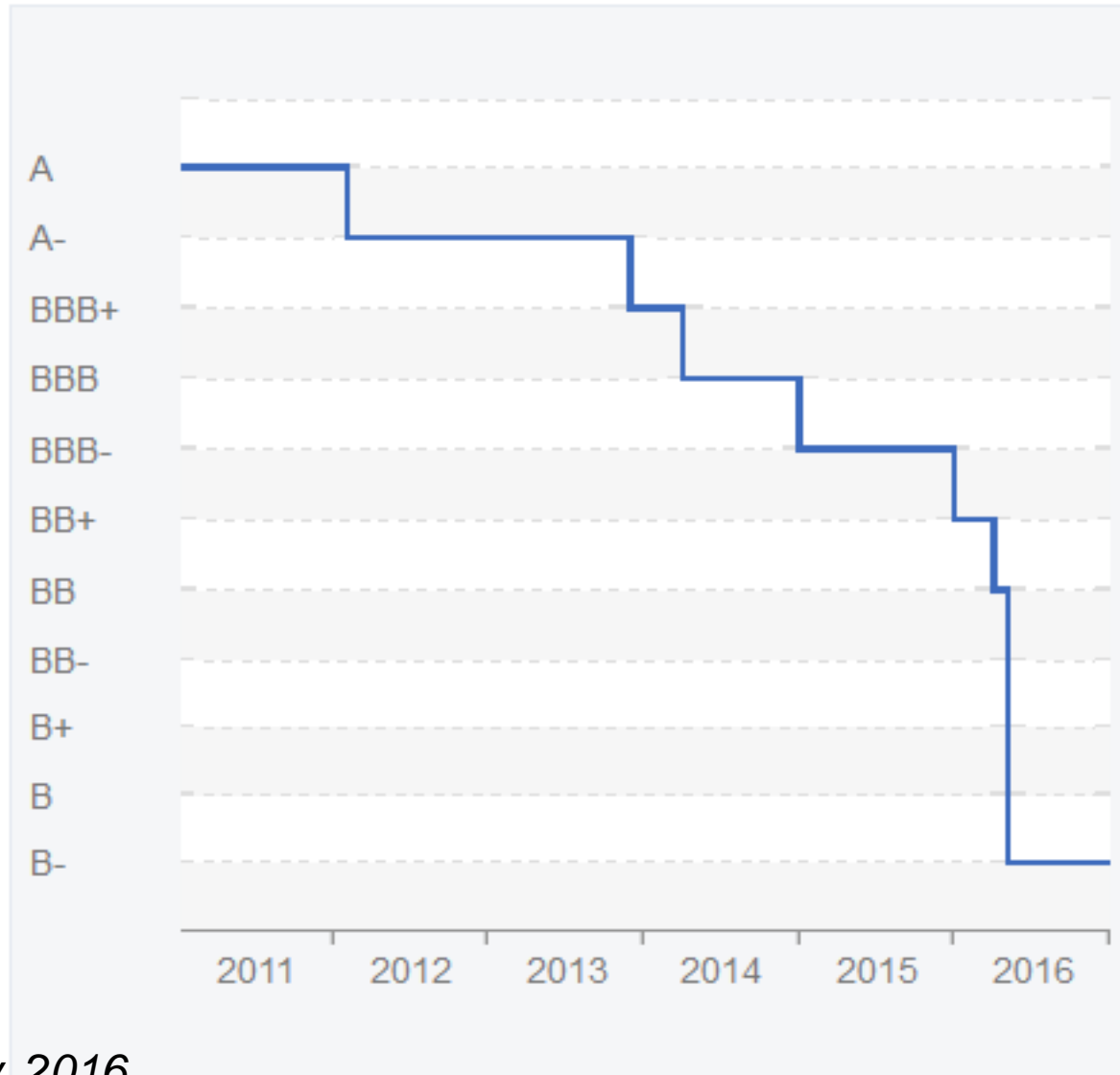
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- There are 325 ships not working = 1.5 million TEUs
 - 8% of the fleet capacity
- 200 of these idle ships are >3000 TEUs (61%)
- 100 Panamax ships will be idle at the end of the summer
 - Effect of the opening of the expanded Canal locks
- Some bigger, younger ships are being scrapped (6500 TEUs)
 - Only 12 years old
- Freight rates have crumbled!

Hanjin Shipping - Corporate Bond Credit Rating

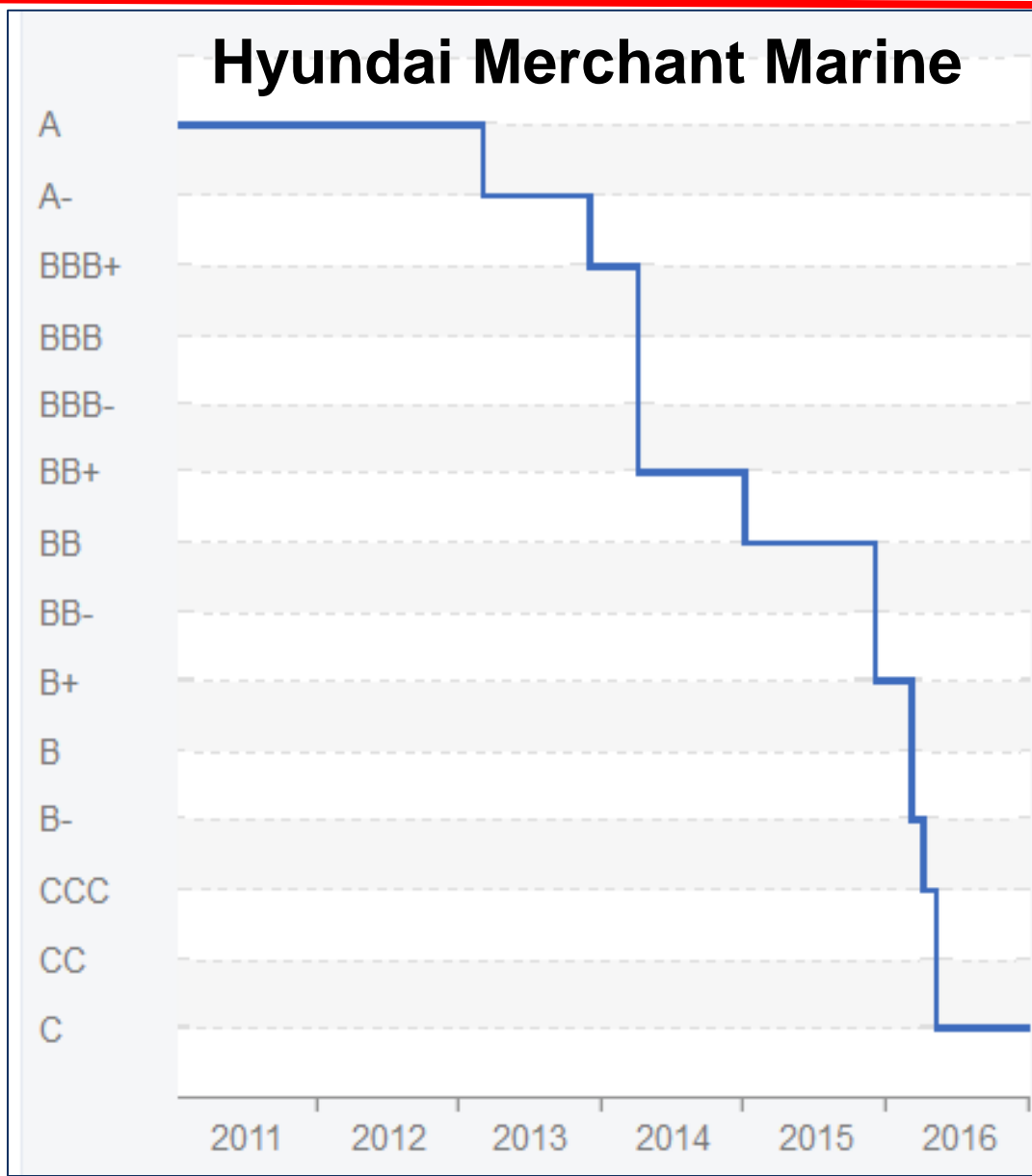


Some carriers might not make it

Long Term Unsecured Credit
Rating History

**Desperately seeking a financial
restructuring to save it**

**Merger with Hanjin – in line
with consolidation trend**



**For every positive, there is
a negative**



Lower fuel costs - bunker

Lower costs per TEU

Lots of available capacity



Lower ship utilization

**Freight rates too low to
make money**

Not enough demand

Cut capacity!!!!

Example

Asia-ECSA capacity has been cut by 40%
Rates have soared!

Good news for the future

New shipbuilding is down (only 71 new
ships in Q1 2016)

THE WORLD – Is there growth out there?

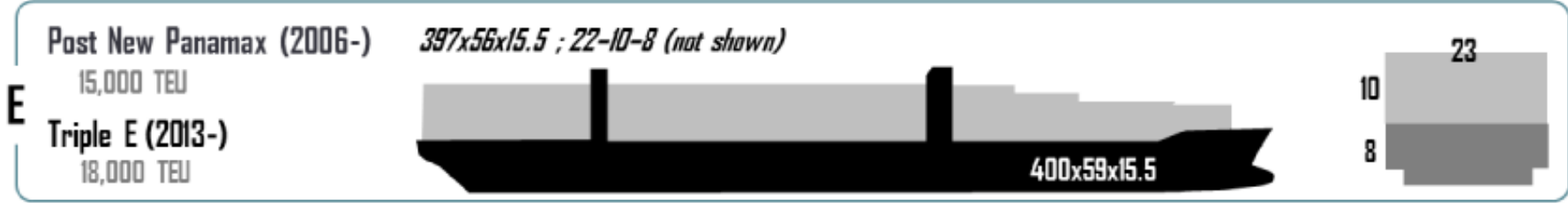
WHAT ARE THE THREATS?



BIG SHIPS AND THE CANAL EXPANSION

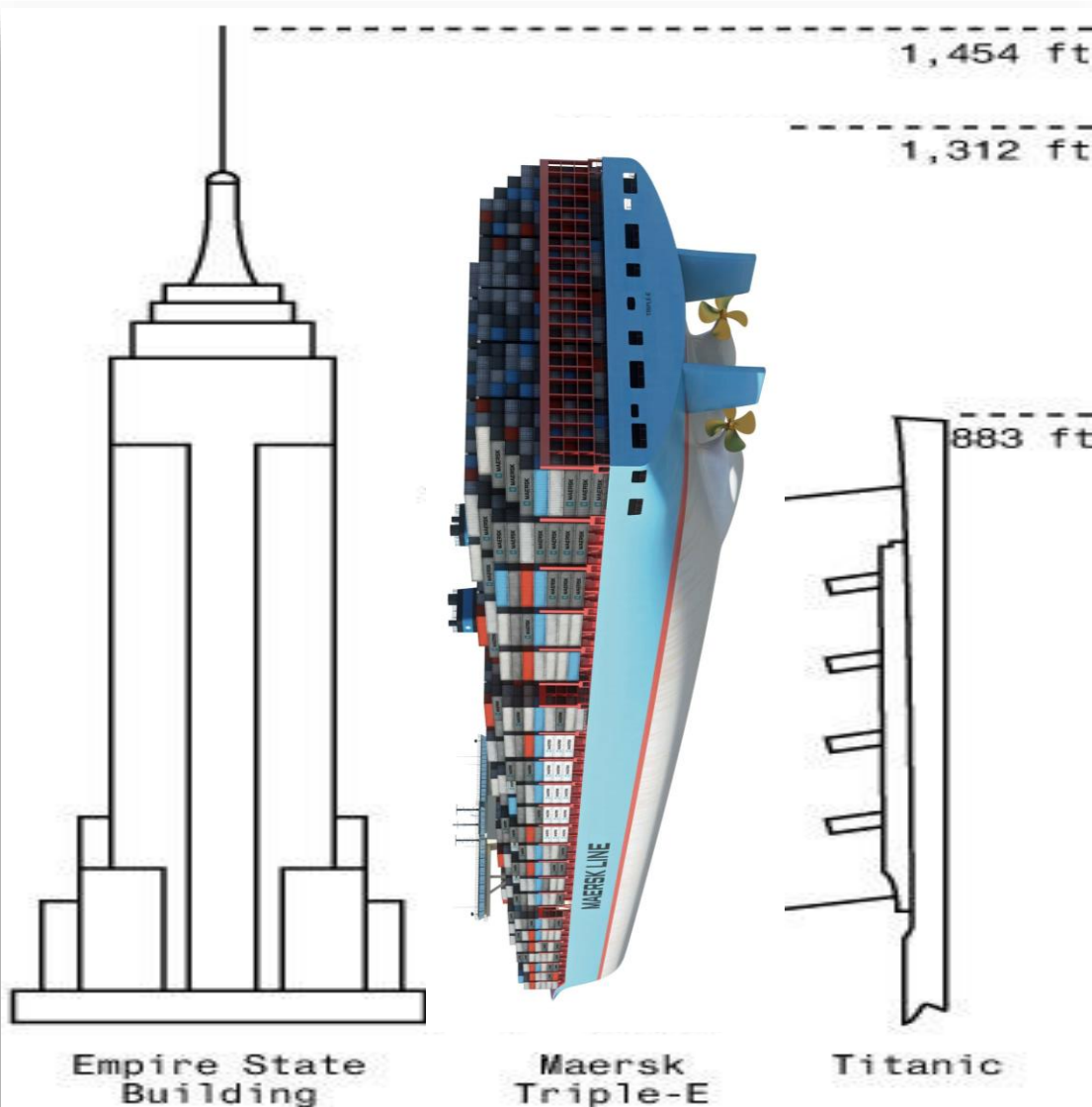
A NEW CANAL IN NICARAGUA?

Larger Vessels: Maersk Triple E



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

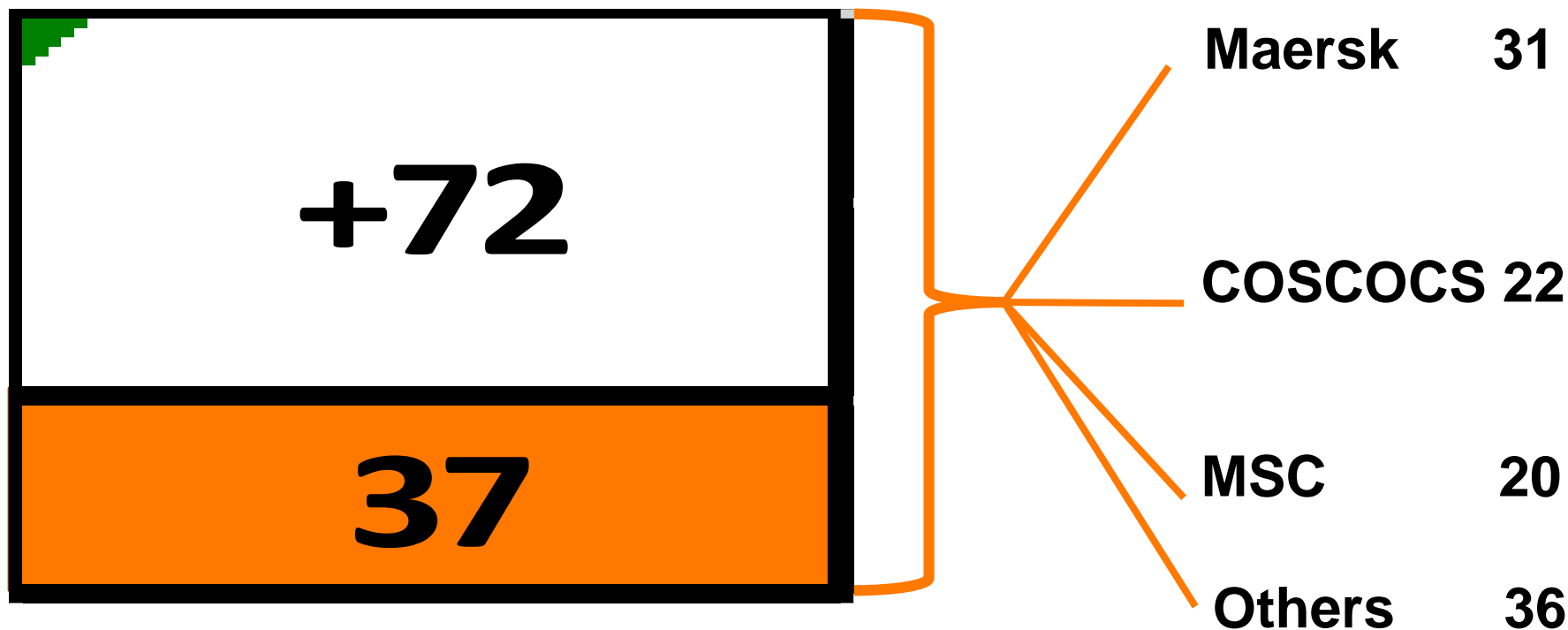
Even Bigger: MSC Oscar
Mitsui order: 20,000+ TEU ships

Mega Ships - Who will dominate?

Ships 18,000 – 21,000 TEUs

2020

Current and on order for 2020

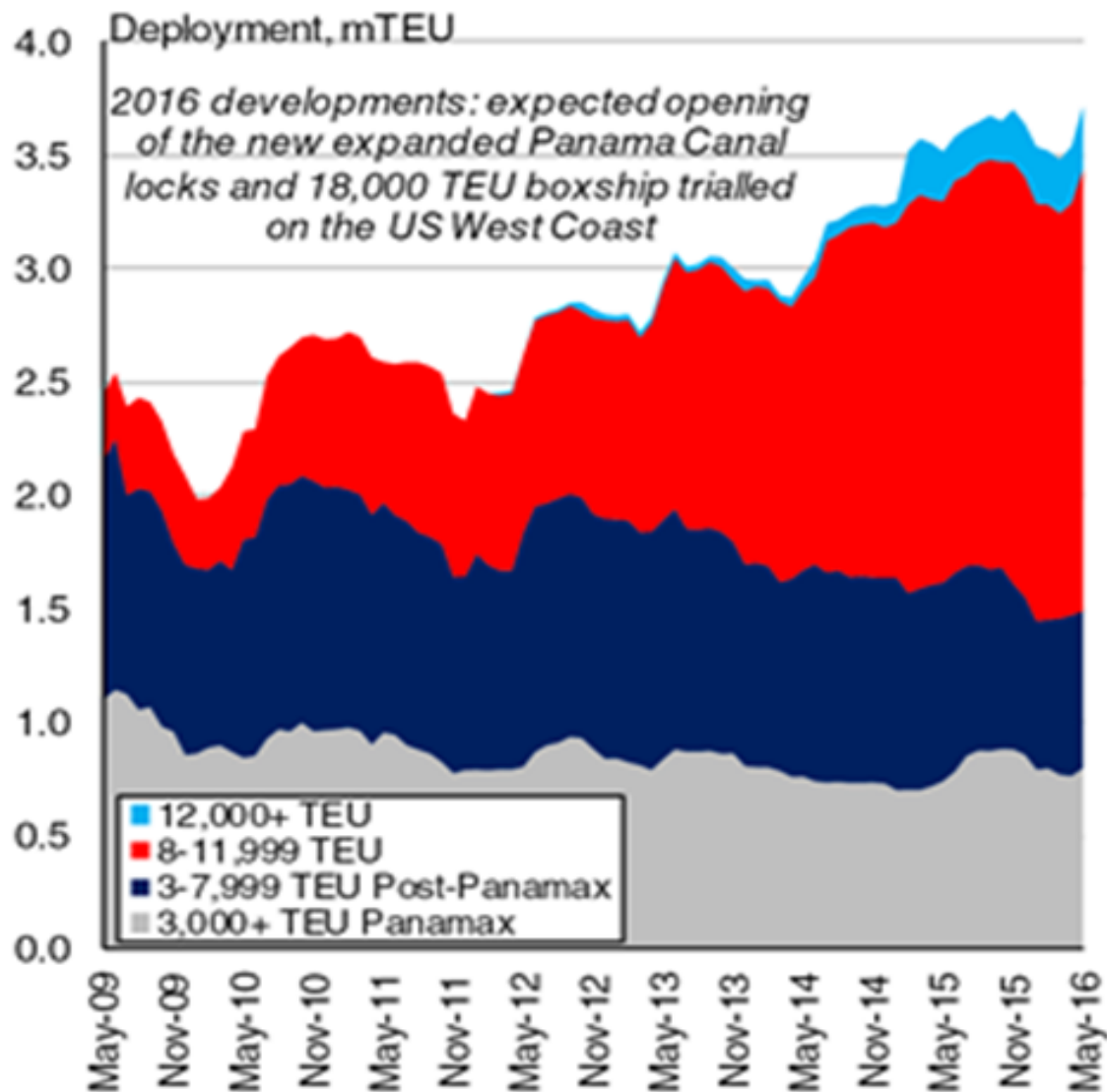


The mega-ships are for -



We are starting to see upsizing on the Transpacific

- Used to be just Asia-Europe
- Effect of the Canal Expansion
- Maersk expanding its service
 - Direct calls to Chile



Another triangle is forming - Pacific



**Shipping lines all seem to be
thinking the same thing!**

“Put the biggest ships possible through the expanded Canal”



But the phase-in will be gradual⁴ because of weak demand.

- ▶ Shippers could spread their risk
 - Multiple ships
 - Multiple shipping lines
 - Multiple ports
- ▶ Now, the risks are greater
 - FEWER lines, ships, and ports (but bigger ones)

THE WORLD – Is there growth out there?

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 **A NEW CANAL IN NICARAGUA?**

What could happen if the Nicaragua Canal becomes a reality in 2020?

▶ Prediction

- **No Canal will be built**

▶ But money will be made

- New international airport
- Casinos
- Golf courses
- 5-star resorts

▶ How will the Panama Canal react?

- **Already reacting!!**

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A NEW CANAL IN NICARAGUA?

 **OH YES!! POLITICS**

➤ **Socialist USA: the Sanders - ization process**

- The transportation industry **NATIONALIZED!**
- The energy industry **NATIONALIZED!**

➤ **Trump “wall” around the USA: +35% tariff on imports**

- Assured recession
- Reduced international trade
- More respect?

