Presentation Objectives

✓ Provide a brief synopsis of cooperation arrangements in the transport industry
✓ Discuss why ports should expand cooperation
✓ Present some key success factors
There is a long history of cooperation in the global transport sector.
Airline alliances

• Share flight capacity through code sharing
• Simplified booking process
• Common rewards programs, benefits, and lounges
• Share services and labor at airports (ex. baggage handling)
Railroads

- TTX
- BNSF Railway
- CSX
- Norfolk Southern
- Conrail
- Kansas City Southern Lines
- CN
- CP
- Union Pacific
- BNSF Railway
- American Association of Port Authorities
TTX is a sustained success story of rail industry cooperation

- Formed in 1955 as Trailer Train by the Pennsylvania RR
- Purpose was to invest in Trailer on Flat Car Technology
- Evolved into an industry owned rail equipment pool
- Today it owns over 220,000 rail cars & intermodal wells
- Charter includes rail car innovation & design, construction, ownership and management
Railroads cooperate in a variety of ways

- **Haulage Rights**: Railroad A agrees to haul Railroad B’s rail cars on its rail line

- **Trackage Rights** - Railroad B operates its trains on Railroad A’s tracks

- **Overhead or Bridge Trackage Rights**: Railroad B operates its trains on Railroad A’s tracks but only on a through basis

- **Directional Running**: Railroads A & B agree to use A’s track to run eastbound trains and B’s track to run westbound trains
There is also a long history of cooperation in the liner shipping industry.
Name at least three participants in the US-ECSA pooling agreements
Name at least three participants in the US-ECSA pooling agreements

- CAVN
- Delta Steamship Lines
- ELMA
- FMG
- Grace Lines
- Lloyd Brasiliero
- Lykes Brothers
- Prudential Lines
Who were the Japan Six?
The Japan Six
Who were the original VSA members
Recent regulatory pressures have generally limited liner shipping cooperation to capacity and operations

- Slot chartering
- Vessel sharing
- Terminal sharing
- Chassis pools
- Inland transport remains outside the alliances

In general, asset rationalization remains outside the alliance scope. Will it change if the industry becomes an oligopoly?
Ports

Tariff Discussion Agreements

Vancouver Port Authority, Fraser Surrey Port Authority, North Fraser Port Authority
Why Cooperate vs Compete
The benefits of cooperation can be significant, but the devil is always in the details

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<thead>
<tr>
<th>POTENTIAL BENEFITS</th>
<th>CHALLENGES</th>
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<tr>
<td>• Potentially enhanced leverage to attract funding</td>
<td>• Political</td>
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<tr>
<td>• Increased political leverage</td>
<td>• Legal</td>
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<tr>
<td>• Optimize asset bases and capital investment</td>
<td>• Financial</td>
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<td>• Scale economy gains</td>
<td>• Perceptual</td>
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<tr>
<td>• Efficiency gains</td>
<td>– <em>E.G.</em>: “Why would we want</td>
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<tr>
<td>• Cost reduction</td>
<td>to cooperate, we are</td>
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<tr>
<td>• Enhanced competitiveness</td>
<td>winning”</td>
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<tr>
<td>• More sustainable business</td>
<td>– “Nobody ______ better</td>
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<td>than we do”</td>
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`E.G.`: “Why would we want to cooperate, we are winning”

“Nobody ______ better than we do”
Key Success Factors
Key Success Factors

✓ Open minds & open books: cooperation does not mean:
  – Someone wins and someone loses
  – Merger is the end game

✓ Clear objectives

✓ Emphasis on how it can work vs why it won’t work; initial focus on common interests

✓ Multi-disciplinary teams

✓ Rigorous due diligence

✓ Evolutionary may yield better results than revolutionary
Global airlines, global shipping lines & railroads can cooperate, shouldn’t ports cooperate?