American Association of Port Authorities

Maritime Terminal Management Training
AGENDA

- Company Overview
- Volume Review
- Import Philosophy
- Port Selection Criteria
- Market Conditions
- Shipper Trends
- Industry Concerns
- California Goods Movement
- Opportunities for MTO’s
- Recommendations
Corporation Overview

• Comprised of:
  • Target Stores
  • AMC (Associated Merchandising Corporation)
  • target.direct
  • Guest Credit Services
Corporation Overview

- Target Store Count 1,418
- Operating in 47 states
- Operate 24 Regional DC’s and 4 Import Warehouses
- Sales of $52.6 billion (2005)
Corporation Overview

- Import Gateways
  - Los Angeles/Long Beach
  - Seattle/Tacoma
  - Norfolk
  - Savannah
  - Dallas
  - New York (AMC business)
Volume 2006 (projected)

<table>
<thead>
<tr>
<th>Containers</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>target.com</td>
<td>4,436</td>
</tr>
<tr>
<td>AMC</td>
<td>1,246</td>
</tr>
<tr>
<td>Target</td>
<td>212,219</td>
</tr>
<tr>
<td>TOTAL</td>
<td>217,901</td>
</tr>
</tbody>
</table>
## Top 10 Origin Ports

Ports comprise of 82.7\% of total import volume

<table>
<thead>
<tr>
<th>Port</th>
<th>2005</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yantian</td>
<td>40.8%</td>
<td>37.9%</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>9.1%</td>
<td>13.6%</td>
</tr>
<tr>
<td>Shanghai</td>
<td>13.5%</td>
<td>12.5%</td>
</tr>
<tr>
<td>Laem Chabang</td>
<td>3.5%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Xiamen</td>
<td>3.1%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Tianjin</td>
<td>1.6%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Kaoshiung</td>
<td>1.3%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Qingdao</td>
<td>2.6%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Nhava Sheva</td>
<td>2.4%</td>
<td>2.1%</td>
</tr>
<tr>
<td>Ningbo</td>
<td>3.9%</td>
<td>2.0%</td>
</tr>
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Volume Review

- Currently imports represents approximately 26.6% of our total carton volume
- Volume breakdown
  - 73.5% arrives on the West Coast
  - 24% arrives on the East Coast
  - 2% arrives in Miami
  - .5% arrives in Houston/Dallas
5 Year Volume Projections

Target Corporation 5 Year Volume Projection

- 2006: 218,000
- 2007: 256,000
- 2008: 301,000
- 2009: 354,000
- 2010: 416,000
Import Philosophy

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

- Grid components
  - Overseas hold
  - Ocean transit time
  - Customs clearance
  - Transload unloading/loading
  - Domestic transit time
  - DC processing time
  - Peak vs. nonpeak timing
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. As a result, we need access to volume on a consistent basis.
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, shippers and ocean carriers
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
Market Conditions

- Issues are leading to creation of special interest groups determined to develop solutions that meet their needs
- Lack of trust by community groups
- Efforts lead to a division between stakeholders resulting in unhealthy legislation
Market Conditions

- Transportation’s value is not widely understood by the American public
- Many shippers are not informed on the issues or not engaged in addressing issues
- By 2010 75% of ports will have significant capacity issues
- Lack of productivity improvements will significantly impact the supply chain
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
Industry Concerns
Terminal Operations

• Lack of relationship between MTO’s and beneficial cargo owners
  • Customers do not understand how an MTO works and vice versa
• Industry volumes are growing at a level of 12-15% annually and no dialogue is taking place between MTO’s and cargo owners.
Industry Concerns
Terminal Operations

- No real changes being made to address long term growth
- Growing congestion issues in major port markets is not being addressed with those that can impact it the most.... Shippers
Industry Concerns
Terminal Operations

• Increased customer costs due to restrictive gate operations
  • Increased yard space
  • Bobtail expenses
• Excessive driver wait time
Average Turn Times by Port FY 2005

*EC Feb data not avail.
PNW 4th Qtr Average Turn Times

Average Turn Time

Terminal: OCEAN CARRIER

Drop Series Fields Here
California Goods Movement

• Community/Environmental groups driving policy/market decisions
  ➢ Terminal leases
  ➢ Equipment modification
  ➢ Operating practices
• Carriers/MTO’s making decisions/business practice changes based on fear
California Goods Movement

• Positive changes are taking place but due to a lack of a unified voice or coordinated effort your good deeds are going unnoticed

• Community/Environmental/Shipper groups have no idea of the positive initiatives taking place or in development

• Unhealthy Legislation ... SB 1829
Opportunities for MTO’s

- MTO’s need to become familiar with Customers
  - Begin to reach out to key industry shippers to understand shipping volumes, patterns and shifts in sourcing. Incorporate into forecasts.
  - Educate your customers in terminal operations.
  - Differentiate your customers. Reward those who are more efficient than those who are not.
Opportunities for MTO’s

- Facilitate quick turn times for drivers
  - Fifty minutes for a dual transaction
  - Measure driver queue time vs. gate in-time for drivers
- Streamline gate entry process
- Strive to increase driver satisfaction
Recommendations

• Develop a “Business Practice Intelligence” forum of industry leaders to address infrastructure and environmental solutions

• Group made up of Waterfront Coalition, RILA, PMSA, Railroad Association

• Focus on short and long term solutions
Recommendations

• MTO’s and Ocean Carriers have to begin working collaboratively together to address environmental concerns/solutions

• Industry desperately needs a PR campaign
  ➢ Begin to alter image with communities
  ➢ Communicate positive changes in a unified voice
  ➢ Use format to educate public beyond California
Recommendations

- We need to focus on short term solutions that will buy some time while we focus on longer term infrastructure solutions..
  - Chassis management
  - Investigate use of appointments
  - Mid-week sailings
  - Further reductions in dwell time
  - Increase terminal productivity
Recommendations

- Collaborative efforts like PierPass have addressed legislative efforts and improved congestion however.....
  - Shippers not happy with increases
  - Concern is that we are paying for inefficiencies at some terminals
  - Costs need to be kept in check or shippers lose faith in collaborative process
  - We need to improve communication process
Recommendations

• Collaborative approach to addressing environmental issues......
  ➢ Alternative fuel use in yard equipment
  ➢ Explore use of low sulfur in vessels
  ➢ Test using emissions controls on vessels
  ➢ Educate shippers/community groups on steps you are taking and the costs
  ➢ Truck emissions reduction task force
Recommendation

Without a coordinated effort between shippers, MTO’s and ocean carriers we will continue to face unhealthy legislation and lose our ability to effectively manage our business.....