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Agenda

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

• 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
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
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- 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

North America: containerport demand by port range 2005-2010
(per million TEUs)

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 59,750 bridges, 27% are structurally deficient or obsolete
- Most ports have not been dredged to handle the 18,000-TEU jumbo containerships 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
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.

![Distribution of transpacific ship arrivals in L.A.-Long Beach](chart.png)

Source: Drewry Container Shipper Insight report (study of April-Sept. 2006 arrivals).
Access Slack in Port and Landside Networks

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

National Freight Policy

Improvements of intermodal infrastructure rail performance

Adequate Funding

Public-Private Partnerships

Enhance Port Productivity