Finding Private Capital in Today’s Economy

Shifting International Trade Routes
Tampa, January 23, 2009

Walter Kemmsies
Moffatt & Nichol Commercial Analysis Group
Founded 1945 - Long Beach, CA

M&N combines the expertise of financial and economic specialists with more than 60 years of planning and engineering experience:

- Coastal engineering
- Port and waterside design
- Terminal design for all types of freight and passenger movement
- Urban waterfront & marina planning and design
- Surface transportation connectivity
  - Railroads and capacity expansion
  - Pay-go highway improvements
- Strategic development plans
- Economic analyses of investment/privatization
- Independent Market Consultant
- Environmental issues/ emissions modeling

Locations

- 26 offices throughout North America, Europe, Latin America and the Pacific Rim
Outline

• Ports are investing to
  • Improve berth, yard, gate and intermodal capacity
  • Dredge in advance of the Panama Canal widening
  • Reduce their environmental impact
  • Balance their sphere of control with their sphere of influence

• Demand for Capital
  • Bridges and highways are in need of repair and expansion to reduce congestion
  • Energy infrastructure, particularly electricity and LNG terminals
  • Schools, prisons, emergency services also require funding
  • Not just brownfield but greenfield investment

• Supply of Capital
  • Between TARP, the bailout of AIG and the proposed stimulus package, the Federal government’s debt will be at least $1.6 trillion higher than in January 2008
  • All levels of government will require partnership with private equity funds and commercial operators to achieve even modest objectives
Influences on Port Growth
Global Manufactured Goods Trade Has Exceeded Global GDP Growth

Cyclical Drivers
- Trade has grown faster than GDP.
- Macro shocks have not impacted trends

Structural Drivers
- Containerization
- Trade Agreements
- World Wide Web
- Offshoring

<table>
<thead>
<tr>
<th>Year Range</th>
<th>Average Trade Growth</th>
<th>Average GDP Growth</th>
<th>Ratio of Trade to GDP Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950 - 2007</td>
<td>7.6%</td>
<td>3.8%</td>
<td>2.0</td>
</tr>
<tr>
<td>1996 - 2007</td>
<td>6.6%</td>
<td>2.9%</td>
<td>2.3</td>
</tr>
</tbody>
</table>

Source: World Trade Organization, World Bank, Moffatt & Nichol
Regional Demographic Trends

♦ US population is moving to urban, coastal and Southern locations

Source: US Census Bureau, Moffatt & Nichol
Demand for Funds
The price tag to repair and modernize the nation's 600,000 bridges is $140 billion, according to a new report by the American Association of State Highway & Transportation Officials in July, 2008.

Source: US Department of Transportation
At the end of 2007, the US had 4,048,529 miles of public roads.

Highways need expansion and may receive priority because freight doesn’t vote but passengers do.

Source: US Department of Transportation/Federal Highway Administration
Future Volumes Compared To Capacity in 2035 Without Improvements

Source: AAR
Intermodal Rail Capacity Expansions

Railroads are investing in capacity, often supported with public sector funds

Source: Company Statements, Moffatt & Nichol
Intermodal Terminals and Distribution Centers

Intermodal is 60% international volumes

5~10% are transloaded

This segment of the supply chain is expanding

— Modest slowdown in 2007-2008
— Railroad investment in new, improved facilities
— Recent investment in Carrix and ITS by private equity
— Trends in rail costs vs. trucking costs, labor, etc.
— Environmental advantages

<table>
<thead>
<tr>
<th>Location</th>
<th>Expected Completion</th>
<th>Railroad</th>
<th>Design Capacity</th>
<th>Additional Capacity</th>
</tr>
</thead>
<tbody>
<tr>
<td>San Antonio, TX</td>
<td>2008</td>
<td>UP</td>
<td>250</td>
<td>150</td>
</tr>
<tr>
<td>Memphis, TN</td>
<td>2008</td>
<td>CN</td>
<td>250</td>
<td>100</td>
</tr>
<tr>
<td>Rosenberg, TX</td>
<td>2008</td>
<td>KCS</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Kansas City, MO</td>
<td>2008</td>
<td>KCS</td>
<td>120</td>
<td>50</td>
</tr>
<tr>
<td>Titusville, FL</td>
<td>2009</td>
<td>NS</td>
<td>100</td>
<td>100</td>
</tr>
<tr>
<td>Memphis, TN</td>
<td>2009</td>
<td>BNSF</td>
<td>1,000</td>
<td>500</td>
</tr>
<tr>
<td>Chicago, IL</td>
<td>2009 – 2010</td>
<td>CN</td>
<td>750</td>
<td>500</td>
</tr>
<tr>
<td>Gardner, KS</td>
<td>2010</td>
<td>CN</td>
<td>1,000</td>
<td>600</td>
</tr>
<tr>
<td>South Dallas, TX</td>
<td>2010</td>
<td>BNSF</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Joliet, IL</td>
<td>2010</td>
<td>BNSF</td>
<td>1,500</td>
<td>1,000</td>
</tr>
<tr>
<td>Long Beach, CA</td>
<td>2010 – 2011</td>
<td>UP</td>
<td>500</td>
<td>500</td>
</tr>
<tr>
<td>Long Beach, CA</td>
<td>2010 – 2011</td>
<td>BNSF</td>
<td>750</td>
<td>750</td>
</tr>
<tr>
<td>Denver, CO</td>
<td>2011</td>
<td>UP</td>
<td>250</td>
<td>150</td>
</tr>
<tr>
<td>Crete, IL</td>
<td>NA</td>
<td>CSX</td>
<td>1,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Rosenberg, TX</td>
<td>NA</td>
<td>UP</td>
<td>300</td>
<td>200</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>8,620</strong></td>
<td><strong>6,350</strong></td>
</tr>
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</table>
Inland Ports Also Seek Funding

Some regions of the US have not fully participated in the benefits of foreign trade

While the concept of inland ports are not feasible capacity expansion solutions for some ports, they make sense for rural regions

Inland ports are attracting both public and private sector funding

Source: Appalachian Regional Commission
Ocean carriers have been ordering larger ships in advance of the Panama Canal Expansion.

Many ports will require dredging and terminal capacity expansion to accommodate the larger ships.

Source: Panama Canal Authority (ACP), Containerisation International, Moffatt & Nichol
Container Terminal Capacity Expansion

Drivers of port/terminal capacity:

Operation Optimization

<table>
<thead>
<tr>
<th>Lifts Per Acre Per Year</th>
<th>Margin (%)</th>
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<tbody>
<tr>
<td>0 - 1,000</td>
<td>RTG</td>
</tr>
<tr>
<td>1,000 - 3,000</td>
<td>Top-Pick</td>
</tr>
<tr>
<td>3,000 - 5,000</td>
<td>Straddle</td>
</tr>
<tr>
<td>5,000+</td>
<td>RTG</td>
</tr>
</tbody>
</table>

- **WHEELED**
  - Best return for productivity range of 0 through ~1,000 lifts, most profitable at 100% utilization.
- **TOP-PICK**
  - Best return for productivity range of ~1,000 through ~3,000 lifts, most profitable at about 75% utilization.
- **STRADDLE**
  - Best return for productivity range of ~3,000 through ~3,500 lifts, most profitable at about 85% utilization.
- **RTG**
  - Best return for productivity over 3,500 lifts, most profitable at about 80% utilization.
Environmental issues are high on the political agenda

Private enterprise is increasingly embracing this issue

The Transportation industry stands out relative to other industries in terms of carbon dioxide emissions

Source: US Department of Transportation, Department of Energy/EIA
Eight LNG terminals (7 import and 1 export) are already operational.

There are about 40 LNG terminals that are either before the FERC or being discussed by the LNG industry for North America.

16 facilities are under FERC jurisdiction.

Industry analysts predict that only 12 of the 40 LNG terminals being considered will ever be built.

Source: Federal Energy Regulatory Commission
Electric power generation capacity needs to be increased, public funds may be provided in order to develop “greener” production

Source: National Rural Electric Cooperative Association
Higher Costs per Unit of Infrastructure

Producer Price Index
January 2002 = 100

Source: Bureau of Labor Statistics

Source: FHA/DOT, Moffatt & Nichol
Supply of Funds
US Drivers Are Driving Less

With people driving fewer miles, excise taxes on gasoline have fallen

Source: FHA/DOT, Moffatt & Nichol
Less Driving As The Population Ages

The US population is aging, which along with improved fuel efficiency mandated by 2007 CAFE standards, implies that excise taxes on gasoline or on miles driven may be insufficient to fund highway expansion and maintenance.

Source: FHA/DOT, Moffatt & Nichol
Summary

• The port sector has a lot of investment ahead of it

• There is a lot of competition for infrastructure investment funds

• The public sector will not have sufficient funds
  • The private sector has to be tapped
  • More efficient funding mechanisms are needed