Shifting International Trade Routes
The Role of Transshipment - What will Happen in the Caribbean Basin?

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Grand Hyatt Tampa Bay
Agenda

1. The Economic & Trade Outlook
2. Transshipment in the Caribbean
3. Takeaways/Conclusion
The emerging markets have helped to keep the world from falling into an even deeper recession and are leading the recovery.
In the very long term, today’s emerging markets could become the largest ones in the world.

(Country GDP Rank in Billions of Real (2003) U.S. Dollars)

<table>
<thead>
<tr>
<th>Year</th>
<th>U.S.</th>
<th>Japan</th>
<th>Germany</th>
<th>U.K.</th>
<th>France</th>
<th>Italy</th>
<th>China</th>
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Source: Global Insight World Service and Goldman Sachs
The years of 2-digit growth (containers) are behind us.
US imports suffered more than exports in the recession.

A 6-year bad spell

A 4-year bad spell

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<thead>
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<th>2009</th>
<th>2010</th>
<th>2010-15</th>
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</thead>
<tbody>
<tr>
<td>Imports</td>
<td>-12.0%</td>
<td>5.9%</td>
<td>5.7%</td>
</tr>
<tr>
<td>Exports</td>
<td>-14.9%</td>
<td>4.2%</td>
<td>4.7%</td>
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</table>

US TEUs
Agenda

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By 2012, 64% of containership capacity will be in Post-Panamax Vessels. Just 30% of the ships.

Source: Clarksons
Dimensions of Locks and New-Panamax Vessels

**Existing Locks Max Vessel:** 4,400 TEU’s

- Beam: 49 m (160’)
- Length: 366 m (1,200’)
- Depth: 12.8 m (42’)

**Current Locks**

- Beam: 55 m (180’)
- Length: 521 m (1,700’)
- Depth: 18.3 m (60’)

**New Locks**

- Beam: 15.2 m (50’)
- Length: 521 m (1,400’)
- Depth: 18.3 m (60’)

**Existing Locks**

- Beam: 32.3 m (106’)
- Length: 334.8 m (1,099’)
- Depth: 12.8 m (42’)

**Max Vessel:** 4,400 TEU’s

**New Panamax Vessels**

- Beam: 55 m (180’)
- Length: 521 m (1,400’)
- Depth: 18.3 m (60’)

**Max Vessel:** 12,600 TEU’s
After the Canal expansion, the action will be in the Caribbean.

Caution: Are some USEC ports spending more than necessary?
Cuba has potential as a manufacturing and transshipment hub. Has China already won the race?
The Cubans think that the southeast coast is the best location for a transshipment terminal.
Example: CMA-CGM PEX 1 through Caucedo
Reasons transshipping may make sense

- Can load the ship (China) with multi-destination cargo, thereby increasing utilization on the head haul
- For the backhaul, can attract cargo from USEC, Gulf, Central and South America, and the Caribbean
  - Improve backhaul utilization
- Our preliminary cost estimates show that an all-water voyage to the USEC with a $400 transshipment charge can easily “beat the landbridge option”
  - TS rates should remain in check thanks to competition
- When the Heartland Corridor is ready, it will shave 1.5 days off the Hong Kong – Chicago voyage
  - Time savings and water depth may favor Norfolk
  - Competition for transshipment
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1. We are coming out of the recession and we expect exports to help pull us up.

2. Transshipment in the Caribbean could be on a high growth curve
   2012 when demand picks up
   After 2015 when the Canal opens

3. If most Far East – USEC container cargo is transshipped, not all of the USEC ports will need to be expanded.