Maritime Transportation and the Development of Transfer Ports in Latin America

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Oro Verde Hotel, Manta, Ecuador
Agenda

1. The Economic & Trade Outlook
2. Industry-Wide Changes
3. Transshipping Trends
4. Takeaways/Conclusion
The emerging markets have helped to keep the world from falling into an even deeper recession and are leading the recovery.
The Emerging Markets as seen by the IMF: Latin America

GDP Growth

Source: IMF World Economic Outlook, April 2010
In South America, most countries are expected to have solid economic growth in 2010 and 2011.

Source: Data and tables from IHS Global Insight and Halcrow local offices
World TEUs will soon exceed the 2008 numbers. However, the years of double digit growth ('03, '04, '06) are not to be seen again.
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By 2012, 64% of containership capacity will be in Post-Panamax Vessels. Just 30% of the ships.
There are truths and myths when it comes to the economics of bigger containerships.

- The PPX ships bring new efficiencies (lower costs) per TEU
  - TRUE
- The PPXs make money only when steaming
  - TRUE
- The PPXs will call many ports on the USEC and in the Caribbean
  - FALSE
- Many ports can quickly and efficiently handle 8000+ TEUs from one ship
  - TRUE
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Transshipping makes sense for a number of reasons.

1. Can load the ship in Asia with multi-destination cargo
2. Can attract cargo from USEC, Gulf, Central and South America, and the Caribbean for the backhaul
3. On Asia-USEC, the All-Water option is much cheaper than the landbridge option, even with a $200/move transshipment charge
4. On WCSA-Asia, a Pacific transshipment in Panama provides a link to USEC and Europe
Now, the main Caribbean hubs are almost at full capacity.
Cuba has potential as a manufacturing and transshipment hub. But has China already won the race?
The WCSA flows create the need for transfer ports.

TEUs are for 2010, full, to the Far East, and to USEC and Europe.
Panama’s Pacific Coast has experienced strong growth, especially when compared to the Atlantic coast.

**Atlantic & Pacific Shares - TEUs**

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<th>Atlantic</th>
<th>Pacific</th>
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On Asia-USEC, there is plenty of room for price flexibility at transshipment hubs.

EXAMPLE: CMA CGM PEX1 Service

Assumptions
Current rail charges LA-NY
$175/move in Caucedo
$120/move in Balboa and MIT
Assumes 85% capacity utilization
8000 TEU ship
Costs calculated as one-way $/TEU
For Asia-USEC, the All-Water route is still the cheapest; but transshipment is not that far behind in terms of cost.

After the expansion, the cost per TEU will be $123 lower than the current one-way cost.
Using an 8000 TEU ship dramatically expands the accessible market from USEC ports.

<table>
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<th>Assumptions</th>
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<tr>
<td>$400/MT bunker</td>
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<td>Canal tolls based on 2011 proposal</td>
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<tr>
<td>Current ship charter rates</td>
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<tr>
<td>Inland move by rail</td>
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</tbody>
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Based on Halcrow, Princeton Consultants route cost model – June 2010
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Three Takeaways

1. We are coming out of the recession and sea trade is growing again – but 2011 could be slower than 2010

2. Transshipment in the Caribbean, Panama and WCSA could be on a high growth curve
   There is room for price flexibility
   After 2015 when the Canal opens . . .

3. Just by opening for business, the Panama Canal route may provide access to a MUCH larger market in the US!
On WCSA-Asia, a Pacific transshipment in Panama provides a link to USEC and Europe.
Good Luck!!

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