AAPA Conference

Handling variable import/export volumes in the U.S. and impact to marine infrastructure

February 2011
World container trade – volatility!

Source: Drewry Container Forecaster – Sep 2010
The network is sensitive to many types of change – demand, bottlenecks, prices, operational execution.
Industry Forecast
Trade Growth

• 2011 imports expected at 17.2 mio teu up 4% - still down 1.3 mio teu vs 2006! 25,000 teu/week

• 2011 exports expected at 11.6 mio teu up 4.6% - should exceed 2008 volumes.

• Number of services/capacity has not changed to any extent in 5 years

Source: JOC
Flexibility of assets is crucial – close collaboration between Lines, Rail and Terminals

**Product** focus on:
- Markets and customers
- Medium-term (1-3 year horizon)

**Network** focus on:
- Overall network
- Long-term (2-15 year horizon)
- Conceptual design
- Across markets
- Strings (loops)

**Operations** focus on:
- Short term constraints
- Key bottle necks/contingencies
- Moving the boxes
- Vendor alignment

Lay up ships – close space on Terminals?
Requires vast improvement in communications

> Significant interaction between stakeholder (capture joint knowledge)
> Some reactivity, some proactivity
> Scale benefits – can they be realized?
> Risks to the forecast
> Finding the opportunities – Customer value drivers
> Do we design to
  1) sell what we have
  2) design what we can sell
> And then...
  • During Execution – Things Change
  • Collaborate with Customers/Vendors and Adapt
Future Considerations...
Value Drivers – Lowest Cost and Reliability

> The upward trajectory of port and rail costs from the U.S. West Coast ports to the Mid-West makes this transportation unsustainable at today's ocean shipping rates.
  > This is of most immediate concern for cargo entering the U.S. from Southern California ports.

> If nothing changes, this international intermodal cargo will continue to shift to the East Coast and Western Canada.
  > In today's economy, you can expect cargo to eventually follow the most economic route.
  > The market will reward the "path of lowest cost" in the end for larger and larger amounts of cargo.

> The cost gap between moving a container from a vessel moored alongside and East Coast terminal to Chicago, Memphis or Atlanta and making the same move off the West Coast is large already
  > The cost trends on both coasts will only increase that gap unless something changes.
  > New ocean services through the Suez and Panama Canals take advantage of this gap
  > Widening of the Panama Canal will accelerate the trend

> - A "quantum drop" in rail and port costs in the West is the only way to keep growth volumes flowing through that window.
Thank you......