Trade Trends in Central and South America

Tampa, January 29, 2015
Who we are: Group Port of Cartagena

- Private terminal operating company, managing 3 terminals in Cartagena Bay; 1 river port under development
- Main business: Containers & cruise terminals, tugs, warehousing & distribution, custom built solutions
- Over 20 years of experience
- 365 days, 24 hours Operations (No overtime)
- Yearly Revenue: US$ 270 Million
- + 1,000 direct employees
- Non Union
Cartagena Bay

- Wide, deep, safe
- No currents, hurricanes or tide problems
- +18m natural depth
- Ideal for port and industrial developments, largest industrial export zone of Colombia
- Access channels under expansion
- Handling over 40 Millions Tons Cargo per year
- 6 million inhabitants within 100 mile radius
Close to Panama Canal and major ports of the region
Cartagena Container Throughput Evolution

2015: 2.6 MM TEU

3X in 7 years
Cartagena: Premier US-Colombia container trade port

- Direct service to 18 US seaports
- Over 16 regular carriers providing services to container, break bulk, Ro-Ro,reefer and project cargoes
- Almost 60% of the Colombia – USA container trade goes through Cartagena
Cartagena, main Caribbean hub for 5 (read 3) carriers today

70% of CTG volume is TS cargo as well as a connecting facility for other Colombian ports

- CCNI
- CSAV
- Hamburg Sud
- Hapag Lloyd
- CMA-CGM

Connectivity is key
**Cartagena: 9th most active container port in the Americas (2012)**

<table>
<thead>
<tr>
<th>Rank</th>
<th>Port</th>
<th>Country</th>
<th>Volume (Million TEUS)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Los Angeles</td>
<td>USA</td>
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<tr>
<td>2</td>
<td>Long Beach</td>
<td>USA</td>
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<td>New York</td>
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<td>4</td>
<td>Colon</td>
<td>Panamá</td>
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<tr>
<td>5</td>
<td>Balboa</td>
<td>Panamá</td>
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<tr>
<td>6</td>
<td>Santos</td>
<td>Brasil</td>
<td>3,0</td>
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<tr>
<td>7</td>
<td>Savannah</td>
<td>USA</td>
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<tr>
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<td>Oakland</td>
<td>USA</td>
<td>2,4</td>
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<td>9</td>
<td>Cartagena</td>
<td>Colombia</td>
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<tr>
<td>10</td>
<td>Seattle</td>
<td>USA</td>
<td>2,0</td>
</tr>
</tbody>
</table>
Change is a constant.....How do we read this changes?
Main drivers for shifting trade patterns in our region

- Panama Canal Expansion (as well as possible Nicaragua Canal)
- Vessel size – Fleet deployment
- Legislation / Politics
- Trade flows
- Changing nature of logistics and distribution schemes
- Technology
- Consolidation (carriers & terminal operators)
Urabá – Santa Marta case.....and Ecuador, Costa Rica, etc.

- On anchor operations
- Need to shift from cool carrier vessels to containers

Est. 40’ 1000 Units per week
Reefer Evolution - Cartagena (Imports)

300% Growth
Container vessel size increase, by %

Massive increases in ship sizes, especially in north-south trades

- Far East - S. Africa
- Far East - West Coast S. America
- Far East - East Coast S. America
- Europe - East Coast S. America
- Far East - Med
- Far East - W. Africa
- Far East - N. Europe
- Europe - S. Africa
- Europe - W. Africa
- Far East - US West Coast
- Transatlantic

Source: Drewry
Container vessel order book

The work horse vessel for Latin America seems to be in the 8,000 – 11,000 TEU range

- Capacity: 9,600 TEUS
- TRB: 124,500
- LOA: 333.3 Meters
- Beam: 48.2 Meters
- Draft: 15.5 Meters
- Reefer Plugs: 2,100
The terminal never ending problem / dilemma

Bigger ships mean investment in equipment, infrastructure…..and systems

- Mega vessels = mega cranes
- Berth length and depth
- Air draft
- Outreach
- Intermodal capacity
- Crane and berth productivity

Bigger ships have less choice of ports and terminals
For Terminals: Large vessels means Dis-economies of scale

- Dredge more, deeper
- Larger, more expensive cranes
- More equipment dedicated for each vessel
- Much higher productivity
- Expensive berths
- Compliance for green regulations
- Complex IT systems
- Training
- Security / safety

And carriers just want to pay less without any commitments!
Consolidation – Integration (Carriers)

• Hapag Lloyd
  – CSAV, Lykes, TMM, TMG, CP Ships, Lloyd Libra, Norasia

• Hamburg Sud
  – Crowley, Costa Container Line, CCNI, Fesco, Allianca, Laser Lines, Kien Hung

• Maersk Line
  – P&O Nedlloyd, Sealand, Safmarine
Consolidation – Integration (Carriers)
Consolidation – Integration (Terminal Operators)

- **APMT**: Callao, Peru; Limon, Costa Rica
- **PSA**: Mariel, Cuba; Panama City, Panama
- **DPW**: Caucedo, Dominican Republic; Callao, Peru; Paramaribo, Suriname
- **HPH**: Freeport, Bahamas; Mexico (various locations); Balboa and Cristobal, Panama
- **SSA**: Manzanillo, Panama; Barranquilla and Santa Marta, Colombia; Mexico (various locations)

So independent terminals like us are being squeezed
Expanded Panama Canal: Larger vessels in the region

But what does this really mean?
Is the expanded Panama Canal really going to generate much more transshipment in the area?

New volume - 6 to 20 million TEUS???

Current Caribbean capacity

A carrier’s conceptual South America network idea - Post Panama Canal expansion
An American service existing today

- 6 vessels x 4,000 / 4,500 TEUS
- Rotation: San Antonio, Callao, Buenaventura, Cartagena, Port Everglades, New York, Baltimore, Charleston, Port Everglades, Cartagena, Guayaquil, Callao, San Vicente
- Weekly: NB y SB
- 3 Partners: CSAV, Hamburg Sud, CCNI
- 3,500 TEUS per week, origin or destination South Pacific – East Coast USA: 182,000 TEUS per year
A probable American service post Pan-canal expansion

- Service via TS between Asia – East Coast and Europe North – South Pacific
- Combination of vessels between 10,000 and 14,000 TEUS
- Same Weekly: NB y SB service
- 7,500 TEUS of new weekly transshipment volume is created; 390,000 TEUS/year
- About 500 new weekly Reefer TS units per week
Near Sourcing / Near Shoring: It is under way

Kia to build $1 billion Mexico small-car plant

Kia Motors says it will invest $1 billion in a new factory in Mexico to manufacture 300,000 small cars annually for North America and Latin America - the first South Korean auto-assembly plant in Mexico.

Chery opens new auto plant in Brazil

Updated: 2014-09-01 03:22

By ZHAO FAN in Sao Paulo (China Daily Latin America)
Shifting of trading patterns in the region....Increase in North/South Trades

- Outsourcing vs. Near sourcing / Near shoring
- Customers shifting production from Asia to Mexico, Brazil and other LATAM countries
So What???
Ticket to play

- Infrastructure
- Location
- Depth
- Reliability
- Competitive rates
- Security
- Critical mass
Upgrading Manga Terminal – 1.6 MM TEU
Upgrading Manga Terminal – 1.6 MM TEU
General plans to our US$ 600 million Contecar Terminal, 3.2 million TEU capacity - 2016
Contecar: Third phase under way
Contecar: Third phase under way
Challenges to handle new products

- Flowers
- Tuna (Sashimi grade)
- Exotic fruits (Quarantine)
- Chemicals
- Vitamins / Medicines
- Fine liquors
- Dairy products

Today Colombia exports about 250,000 Tons of flower per year, only 8,000 Tons go by sea, but growing year after year, shipping farther each day (Japan, Australia)
Under pressure to develop new infrastructure

- It is not only about the port, is about providing services to your shippers, creating new opportunities.
One Step Closer

CURRENT MODEL – Make to order
- Order
- BRA
- ARG
- Client
- Flexibility
- Availability
- Agility
- Lead time for customer

FUTURE MODEL – Make to stock
- Forecast
- EUR
- BRA
- ARQ
- CTG
- Client
- Flexibility
- Availability
- Agility
- Lead time internal operation
- Lead time for customer
Cartagena: From a port to a logistics hub

- Red Bull
- Direct TV
- Samsung
- Ripley
- Bosch
- Bayer
- Syngenta
- Pirelli

It’s all about the cargo!
Thanks for your attention!