2013 Milestones

Global Economic Events
• 2013 begins with world financial system in recovery
• Slow recovery from global recession
• Sustained recovery in consumer demand
• Increasing Real Estate values
• Unemployment falling - slowly
• Retail sales increasing - slowly
• World trade continues slow growth
• Containerized shipments continue slow growth
• Stock Markets continue upswing from bottom in March 2009
• Rising oil prices

Impact to Liner Industry
• Carriers add back services to handle increasing volumes and gain market share
• Carriers continue slow steaming to control costs and capacity
• Containership capacity increases continue to outstrip demand
• Containership new build orders dominated by ships exceeding 10,000 teu capacity
• Emergence of “Super Alliances” (P3, G6) to control costs
• Volatile freight rates continue
• Vessel charter rates deteriorate
• Liner industry projected to sustain further losses
Key Critical Issues – Terminal Operator/Stevedore Perspective

- Slow Growth – Will it get better?
- Labor Stability/Availability – Critical horizons looming
- Cost Environment – How do you make money?
Slow Growth – Will it get better?

- With the first half of 2013 officially in the books, minimal-to-slow growth is likely to remain intact for the foreseeable future.

- The outlook for global trade activity continues to be relatively dim, according to the most recent edition of the *Global Port Tracker* report. Carriers are seeking out ways to increase or stabilize rates at a time when the global container fleet is expanding, especially on the larger end of vessels coming on line, even though overcapacity is apparent.

- Global container fleet capacity increased 9% in 2012 and is projected to grow 6% in 2013.

- Global growth, according to the IMF will be subdued at 3 per cent, the same as last year which means too much capacity chasing too little cargo.”

- “U.S. Consumer demand still remains weak at a 1% growth rate even though the GDP is slightly above 2%, the current situation makes it increasingly likely there will not be a true Peak Season in Europe or the United States.

- United States-bound import activity is expected to remain along its current trend lines of slow growth continuing the ongoing trend of a relatively slow summer, but that could change with increased import activity heading into the holiday season in the fall.

- Annual containerized import growth rate for all ports covered in the report is expected to be north of 3 percent and possibly as high as 4 percent with the caveat that it is dependent on economic measures taken in Washington.

Source: Global Port Tracker/Alphaliner
Main carriers operating profit margins: 1st half (Jan-Jun) 2013

MSC, Hamburg Süd, PIL and UASC do not publish financial results.
EMC not consolidated for non-listed part of the Evergreen Group.

Includes earnings for container terminal operations for
CMA CGM/KL/OOCL/MOL/HJS/APL/HMM/CSCL/YM

Maersk  CMA CGM  Wan Hai  K Line  Hapag-Lloyd  OOCL  CCNI  MOL  NYK  Zim  Hanjin  APL  EMC  HMM  CSAV  RCL  CSCL  COSCON  Yang Ming
Chart of the week

Carrier Operating Income Margin by Quarter vs Freight & Bunker Index: 2009-2013

Average Carrier Operating Margin

-17% -17% -17%

1Q09 2Q09 3Q09 4Q09 1Q10 2Q10 3Q10 4Q10 1Q11 2Q11 3Q11 4Q11 1Q12 2Q12 3Q12 4Q12 1Q13 2Q13 3Q13

Bunker Price

CCFI

ALPHALINER

Average of APL, CMA CGM (fr 2010), CCNI, CSAV, CSCL, EMC, Hanjin, HMM, Hapag-Lloyd, KL, Maersk, MOL, NYK, RCL, STX PO (until 2012), WHL, YML, Zim
## Industrial Transpacific Eastbound Revenue/TEU Figures

Based on annual averages for all origins/destinations

<table>
<thead>
<tr>
<th>Year</th>
<th>Average REV/TEU</th>
</tr>
</thead>
<tbody>
<tr>
<td>5/1/1993</td>
<td>$1,804</td>
</tr>
<tr>
<td>5/1/1994</td>
<td>$1,687</td>
</tr>
<tr>
<td>5/1/1995</td>
<td>$1,711</td>
</tr>
<tr>
<td>5/1/1996</td>
<td>$1,246</td>
</tr>
<tr>
<td>5/1/1997</td>
<td>$1,102</td>
</tr>
<tr>
<td>5/1/1998</td>
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<td>$1,658</td>
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<td>5/1/2000</td>
<td>$1,359</td>
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<td>5/1/2001</td>
<td>$1,463</td>
</tr>
<tr>
<td>5/1/2002</td>
<td>$1,529</td>
</tr>
<tr>
<td>5/1/2003</td>
<td>$1,635</td>
</tr>
<tr>
<td>5/1/2004</td>
<td>$1,675</td>
</tr>
<tr>
<td>5/1/2005</td>
<td>$1,526</td>
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<tr>
<td>5/1/2006</td>
<td>$1,658</td>
</tr>
<tr>
<td>5/1/2007</td>
<td>$1,702</td>
</tr>
<tr>
<td>5/1/2008</td>
<td>$1,331</td>
</tr>
<tr>
<td>5/1/2009</td>
<td>$1,852</td>
</tr>
</tbody>
</table>

Note: The values are in dollars per TEU.
In a business climate characterized by persistent overcapacity, weak demand, disastrous freight rates, tight credit, low scrap prices, rising fuel costs and an increasingly burdensome regulatory regime, ship-owners, already encumbered by high levels of debt, face a bleak near-term future. Many are already teetering on the edge of insolvency. It will likely get worse. As the new ships on order are delivered into a market that is already oversupplied, freight rates will almost certainly remain depressed in most segments.

To be sure, the owners placing orders for new-generation more fuel-efficient ships may emerge the winners. They are betting that savings in fuel costs will give them a competitive advantage over other shipping companies operating older less-efficient tonnage. They may be right, but they will still continue to struggle for solvency.

“The problem is there are too many ships in the market, so better demand can help but not much. And the ordering spree from private equities this year may prolong the downturn.” Research conducted by the analyst has revealed that the 21 carriers of the top 30 that publish financial results reported an overall loss of $239 million in 2012, with seven returning a profit.
Labor Stability/Availability/Cost – Critical horizons looming

- Implementation of new ILA contract USEC: Flashpoint issues??
  - Chassis jurisdiction, credentialing, automation, productivity, safety
- ILWU contract USWC July 2014
- Management leadership – USMX recent changes
- Aging work force some areas – ILA USEC 50 year old average
- Unfunded liability in pension funds – 1 bil
- Workers comp cost continue to climb > $600mil pa
- Credentialing
  - no workable plan yet, how will implementation be funded
  - artificial limitation of available work force
<table>
<thead>
<tr>
<th>Port</th>
<th># of ILA Employees on 9/30/08*</th>
<th># of ILA Employees on 9/30/11*</th>
<th>Total Manhours for Contract Year Ending 9/30/11**</th>
<th>Average Age of the Workforce as of 9/30/11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Boston</td>
<td>464</td>
<td>460</td>
<td>529,464</td>
<td>48.14</td>
</tr>
<tr>
<td>NY/NJ</td>
<td>3,579</td>
<td>3,367</td>
<td>9,941,030</td>
<td>47.53</td>
</tr>
<tr>
<td>Ports of Delaware River</td>
<td>1,900</td>
<td>1,364</td>
<td>1,248,167</td>
<td>52.84</td>
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<tr>
<td>Baltimore</td>
<td>1,592</td>
<td>1,371</td>
<td>2,132,930</td>
<td>49.46</td>
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<td>Hampton Roads</td>
<td>2,064</td>
<td>1,781</td>
<td>2,897,502</td>
<td>45.47</td>
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<tr>
<td>Wilmington, NC</td>
<td>703</td>
<td>525</td>
<td>363,767</td>
<td>55.49</td>
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<tr>
<td>Charleston</td>
<td>1,202</td>
<td>1,010</td>
<td>1,287,447</td>
<td>50.31</td>
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<tr>
<td>Savannah</td>
<td>2,186</td>
<td>2,277</td>
<td>2,822,866</td>
<td>46.93</td>
</tr>
<tr>
<td>Jacksonville</td>
<td>1,331</td>
<td>1,139</td>
<td>985,672</td>
<td>50.12</td>
</tr>
<tr>
<td>S. Florida</td>
<td>2,219</td>
<td>2,136</td>
<td>2,242,070</td>
<td>49.14</td>
</tr>
<tr>
<td>Tampa</td>
<td>425</td>
<td>327</td>
<td>286,974</td>
<td>52.78</td>
</tr>
<tr>
<td>Mobile</td>
<td>493</td>
<td>386</td>
<td>361,439</td>
<td>49.98</td>
</tr>
<tr>
<td>New Orleans</td>
<td>1,530</td>
<td>1,234</td>
<td>1,052,604</td>
<td>47.88</td>
</tr>
<tr>
<td>West Gulf Ports</td>
<td>2,478</td>
<td>2,420</td>
<td>3,986,353</td>
<td>50.08</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>22,166</td>
<td>19,797</td>
<td>30,138,285</td>
<td>49.73</td>
</tr>
</tbody>
</table>

* The # of ILA Employees included in the above count is based on an individual incurring at least 1 manhour of work which means all casual labor which is significant in some ports is included.

** the manhours reported are inclusive of container, ro/ro and breakbulk/bulk work.
Average Cost Per Lost-Time Claim

Countrywide Total  Longshore Total

$25,000
$20,000
$15,000
$10,000
$5,000


Source: Annual Statistical Bulletin, the National Council on Compensation Insurance, Inc.
On a per claim basis, the Longshore Act is our nation’s most expensive workers’ compensation program and costs continue to rise. According to the National Council on Compensation Insurance, Inc. (NCCI), the average total cost for a Longshore claim rose 72 percent from 1993 to 2002. Private sector employers paid $595 million of Longshore Act claims in calendar year 2004, while taxpayers financed the federal administration of the program by the U.S. Department of Labor.
Cost Environment – How do you make money?

- Ocean freight rates are the same or lower today than 20 years ago and no near term signs of improving.
- Heightened equipment, IT, terminal/rail/gate, labor requirements for VLCC’s
- Labor costs have continued to increase – pension/benefit assessments, base wage scale, workers comp exposure
- Operating/equipment costs continue to increase – fuel, leases, cranes, RTG, Strads, UTR’s
- Capital/construction costs are not decreasing
- While TO/Stevedoring rates were stable in some areas the continued pressure is downward due to continued carrier alliance alignments, P3, G6, CKYH, Others?
- Container carriers continue to add capacity resulting in lower rates and in turn pressure vendors, TO’s, PA’s on cost, using LA/LB as an example, the rate was $300/move when the several terminals opened in 1991. It’s about the same now or lower, some 20 years later.
- Minimization of private sector to role of ‘labor broker’ in Ports with substantial Port Authority involvement in fixed asset ownership.
- Increased environmental/security compliance; Regional environmental legislation; What will CARB do next?
### Base Wage ILA Longshore Deepsea 1995 through 2016

<table>
<thead>
<tr>
<th>Date</th>
<th>Wage</th>
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</thead>
<tbody>
<tr>
<td>10/1/1995</td>
<td>$22.00</td>
</tr>
<tr>
<td>10/1/1996</td>
<td>$23.00</td>
</tr>
<tr>
<td>10/1/1997</td>
<td>$23.00</td>
</tr>
<tr>
<td>10/1/1998</td>
<td>$24.00</td>
</tr>
<tr>
<td>10/1/1999</td>
<td>$24.00</td>
</tr>
<tr>
<td>10/1/2000</td>
<td>$25.00</td>
</tr>
<tr>
<td>10/1/2001</td>
<td>$26.00</td>
</tr>
<tr>
<td>10/1/2002</td>
<td>$27.00</td>
</tr>
<tr>
<td>10/1/2003</td>
<td>$27.00</td>
</tr>
<tr>
<td>10/1/2004</td>
<td>$28.00</td>
</tr>
<tr>
<td>10/1/2005</td>
<td>$28.00</td>
</tr>
<tr>
<td>10/1/2006</td>
<td>$29.00</td>
</tr>
<tr>
<td>10/1/2007</td>
<td>$29.00</td>
</tr>
<tr>
<td>10/1/2008</td>
<td>$30.00</td>
</tr>
<tr>
<td>10/1/2009</td>
<td>$31.00</td>
</tr>
<tr>
<td>10/1/2010</td>
<td>$31.00</td>
</tr>
<tr>
<td>10/1/2011</td>
<td>$32.00</td>
</tr>
<tr>
<td>10/1/2012</td>
<td>$32.00</td>
</tr>
<tr>
<td>10/1/2013</td>
<td>$32.00</td>
</tr>
<tr>
<td>10/1/2014</td>
<td>$33.00</td>
</tr>
<tr>
<td>10/1/2015</td>
<td>$33.00</td>
</tr>
<tr>
<td>10/1/2016</td>
<td>$34.00</td>
</tr>
</tbody>
</table>

54%
Average Weekly Earnings

All Production Workers | Highway, street, bridge construction | Ship building, repair | Support activities for water transport | Port, harbor operations

How Will TO’s Endure?

- TO/Stevedore success largely depends on the overall cost of getting the goods onto the dockside and the degree of reliability and efficiency. The two main factors that users will weigh are the total cost of landing goods and which operators can handle cargo reliably and efficiently. Reliability on the dockside is essential.
- Ocean carriers are struggling to make a profit in the face of overcapacity and declining freight rates, are taking dramatic and sometimes unexpected actions to slash costs. In this environment of frenzied cost-cutting, the proprietary container terminal operated for a single shipping line is becoming an endangered species.
- Likely more consolidation within TO’S, Stevedoring Companies
- Formation of operating/equipment sharing agreements – become asset light
- Push to automation sooner where possible
- More joint ventures with carriers
- New approaches to billing for stevedoring/terminal services for account of BCO? (Pier Pass, THC to include stevedoring)
Marine Terminal Management Training Program

Trends in Public Port Governance & Marine Terminal Service
## Typical Ownership & Operating Structures for Container Terminals

<table>
<thead>
<tr>
<th>Mode of Ownership</th>
<th>Land Area</th>
<th>Terminal Infrastructure</th>
<th>Terminal Superstructure</th>
<th>Quayside Operations</th>
<th>Landside Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% state owned &amp; operated</td>
<td>State owned</td>
<td>Owned &amp; constructed by port authority</td>
<td>State owned</td>
<td>Port authority</td>
<td>Port authority</td>
</tr>
<tr>
<td>&quot;Suitcase&quot; stevedores</td>
<td>State owned</td>
<td>Owned &amp; constructed by port authority</td>
<td>State owned</td>
<td>Private stevedores (on common-user berths)</td>
<td>Port authority</td>
</tr>
<tr>
<td>Leased terminal</td>
<td>State owned</td>
<td>Owned &amp; constructed by port authority</td>
<td>Privately owned or rented from port authority</td>
<td>Terminal operator</td>
<td>Terminal operator</td>
</tr>
<tr>
<td>Concession agreement</td>
<td>State owned</td>
<td>Owned &amp; constructed by port authority</td>
<td>Privately owned</td>
<td>Terminal operator</td>
<td>Terminal operator</td>
</tr>
<tr>
<td>BOT concession</td>
<td>State owned</td>
<td>Construction privately funded</td>
<td>Privately owned</td>
<td>Terminal operator</td>
<td>Terminal operator</td>
</tr>
<tr>
<td>100% privately owned</td>
<td>Privately owned</td>
<td>Privately owned</td>
<td>Privately owned</td>
<td>Terminal operator</td>
<td>Terminal operator</td>
</tr>
</tbody>
</table>
## North American Stevedoring & Terminal Operator Categories/Competitive Profile

<table>
<thead>
<tr>
<th>Global</th>
<th>Investment Vehicles</th>
<th>Strategic to Liner Affiliate</th>
<th>Regional Operators</th>
<th>Joint Ventures</th>
<th>Diversified into other Businesses</th>
</tr>
</thead>
</table>
| • APM*  
  • APL  
  • CMA-CGM*  
  • (Cosco Pacific)  
  • DP World  
  • Evergreen*  
  • Hanjin*  
  • (HPH)  
  • ICTSI  
  • K Line  
  • MOL  
  • MSC*  
  • NYK  
  • (PSA)  
  • ( )=Not yet in NA | • SSA /  
  • Goldman Sachs  
  • Ports America/  
  • Highstar Capital  
  • Maher Terminals/  
  • Deutsch Bank  
  • Global Terminals/  
  • Ontario Teacher’s Pension Fund  
  • Halterm/Fraser Surrey  
  • Macquarie  
  • Total Terminals/*  
  • Macquarie | • APM*  
  • Cal United  
  • Eagle Marine  
  • Evergreen*  
  • ITS  
  • LBCT  
  • Matson  
  • PCT  
  • Pier A  
  • Trapac  
  • Total Terminals*  
  • West Basin  
  • YTI | • Cooper T. Smith*  
  • Eller  
  • Empire  
  • Florida Stevedoring  
  • Flanagan  
  • Holt  
  • Jones Stevedoring  
  • Logistec*  
  • Metropolitan  
  • Pasha*  
  • RHT  
  • Shippers  
  • Suderman  
  • Other non union | • APM/CMA  
  • CP&O  
  • Ceres/Logistec  
  • Ceres/MSC  
  • DRS  
  • Eller ITO  
  • MGT  
  • PA/Yang Ming  
  • PA/CSCL  
  • PA/Hanjin  
  • PA/TIL  
  • PET  
  • POMTOC  
  • SSA/Cooper  
  • SSA/MSC  
  • SSA/Cosco | • Cooper T. Smith*  
  • Pasha*  
  • Logistec* |

*Appears in more than one category
### Size/Scope of Business

$600 mil plus annual revenue

### Broad Geographic/Operating Scope

- West Coast No America
- East Coast No America
- Gulf Coast No America
- Marquee – high demand terminal locations

### Large asset base readily available

- Equipment
- Systems
- Management

### State of the Art, Well Established, and/or Proprietary TOS/IT Systems

### Project Development – Internal Resources Available

- Research/Analysis Engineering
- Finance – Mgmt & Admin

### Apparent ready access to Capital

- Ability to Respond to opportunities
## New Players In North America Since 2006

<table>
<thead>
<tr>
<th>Date</th>
<th>Target</th>
<th>TEU Volume</th>
<th>Acquirer</th>
<th>Price</th>
<th>Price/TEU</th>
<th>EBITDA Multiple</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sep-06</td>
<td>Hanjin</td>
<td></td>
<td>Macquarie Bank</td>
<td>$348,000,000</td>
<td></td>
<td></td>
<td>40% Stake in LB/Oak/Sea/KHH/OSA/TKO</td>
</tr>
<tr>
<td>Nov-06</td>
<td>OOIL Terminals</td>
<td>2,568,000</td>
<td>Ontario Teachers' Pension Plan</td>
<td>$2,400,000,000</td>
<td>$934.58</td>
<td>26.9</td>
<td>TSI, NYCT, Global</td>
</tr>
<tr>
<td>Dec-06</td>
<td>Halterm</td>
<td>210,000</td>
<td>Macquarie Bank</td>
<td>$157,430,000</td>
<td>$749.67</td>
<td>22.9</td>
<td></td>
</tr>
<tr>
<td>Dec-06</td>
<td>DP World U.S.</td>
<td>2,593,000</td>
<td>Highstar Capital</td>
<td>$1,100,000,000</td>
<td>$424.22</td>
<td>23.0</td>
<td></td>
</tr>
<tr>
<td>Feb-07</td>
<td>Montreal Gateway</td>
<td>995,000</td>
<td>Morgan Stanley</td>
<td>$409,500,000</td>
<td>$514.45</td>
<td>22.4</td>
<td>80% Stake</td>
</tr>
<tr>
<td>Mar-07</td>
<td>Maher Terminals</td>
<td>1,900,000</td>
<td>Deutsche Bank</td>
<td>$2,100,000,000</td>
<td>$1,105.26</td>
<td>40+</td>
<td></td>
</tr>
<tr>
<td>Apr-07</td>
<td>Amports</td>
<td></td>
<td>Highstar Capital</td>
<td>$430,000,000</td>
<td>N/A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>May-07</td>
<td>MTC</td>
<td>2,458,000</td>
<td>Highstar Capital</td>
<td>$860,000,000</td>
<td>$349.88</td>
<td>13.0</td>
<td></td>
</tr>
<tr>
<td>Jul-07</td>
<td>SSA</td>
<td>22,000,000</td>
<td>Goldman Sachs</td>
<td>$1,600,000,000</td>
<td>$148.42</td>
<td>31.0</td>
<td>49% Stake</td>
</tr>
</tbody>
</table>

**Total: $9,404,930,000**
WHO PURCHASED WHO?

- Montreal Gateway Terminals (80%)
- Highstar Capital

- SSA Marine (49%)
- Goldman Sachs

- MAHER TERMINALS

- Fraser Surrey Docks LP (Pacific Rim Stevedoring)

- RREEF

- TSI TERMINAL SYSTEMS INC.

- HIGHSTAR CAPITAL

- P&O Ports

- MARINE TERMINALS CORPORATION

- NYCT

- AMPORTS

- Global Terminal & Container Services, LLC

- TEACHERS' PENSION PLAN

- American Association of Port Authorities

Alliance of the Ports of Canada, the Caribbean, Latin America and the United States
Key Differences

- Willing to spend big bucks
- Using other people’s money
- May consolidate and/or spin off group companies
- Envisioned flipping for near term gain

Using their own money
Appear to be in the business for the long haul
Port Consolidation?

Port Authorities are the only players in the global supply chain system that have not yet aggressively moved toward consolidation/acquisition/joint ventures to improve economies of scale, operating efficiencies and stabilization/improvement of return on assets.

Is there a sea change coming and does it make economic sense?

Private sector money seems to be backing away from these investments for the near term – will Port Authorities look to collaborate more closely rather than duplicate spending on capacity/assets in limited market range and also eliminate predatory pricing to protect “market share” for political reasons?
Should you go corporate or get the local government/authority to own and operate a port?

At the river port of Sacramento a division of SSA Marine is taking over the master lease at the Port of Sacramento. The five-year lease will bring $650,000 to West Sacramento each year.

Virginia on the other hand is doing the opposite. The state government is taking over the whole operation and reducing Virginia International Terminals to a shell with no executive powers.
Governor Backs Decision to Restructure Virginia Port
April 4, 2013 3:16PM EDT

VPA to Decide on Terminal Privatization Next Week
March 19, 2013 12:23PM EDT

Tampa Port, CSX to Develop Reefer Transload Facility
August 19, 2013 3:11PM EDT

New Steel Terminal to Be Built at Port of Mobile
July 24, 2013 3:14PM EDT

Georgia Ports, Cordele Intermodal Sign Inland Port Accord
July 10, 2013 4:09PM EDT

Kemmsies Talks Public-Private Partnerships for Infrastructure
April 19, 2013 9:46AM EDT
New Port Models – Where Does It Go Next?

More Cooperation Between Public Ports?

- Joint planning for the financing, construction and leasing of new container facilities would reduce costly and unnecessary duplications. (Jasper County – Chstn/Sav)
- Joint marketing efforts would result in cost-saving simplifications. (USWC, USGC Ports)
- Joint planning would encourage logical port specialization that makes the most of each port's comparative advantages. (Mia/PE, Phil/SJPC/Wil)
- Some ports share much the same physical environment while also sharing approximately the same global location and rely on many of the same overland transport systems.
- Joint efforts to finance and, in fact, allocate space for new facilities are likely to have more chance of success than would a divided approach. (LA/LB)
- Joint efforts would give more clout in dealing with the major railroad systems providing transcontinental freight service for gateway ports. (LA/LB, Sea/Tac)
- New strategic port pairings – focused on super alliances/VLCC’s. (Hfx/NY, Nfk, Mia)
- Past Examples - New York-New Jersey Port Authority, Virginia Consolidation, Vancouver Fraser Port Authority,