

NORTH AMERICAN VEHICLE MARKET OVERVIEW

AAPA

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GLOBAL LOGISTICS CONSULTING

TABLE OF CONTENTS

1. Introduction.
2. Global Production.
3. North American Volumes.
4. East coast/West coast.
5. Production Trends.
6. Manufacturing Trends.
7. Rail Issues.
8. Haulaway Issues.
9. Ocean Carrier Issues.
10. Labor Issues.
11. Port Issues.
12. Supply Chain & OTD
13. Summary & Discussion

1. Introduction

- Thank you for the invitation.
- KGI, LLC.
- Presentation on Vehicles.
- RoRo Discussion.
- Volumes and Trends.
- Significant Issues.
- Opportunities and Challenges.

2. Global Production

- CY 2005 – 62.7 million vehicles
 - Asia - 21.4
 - W. Eur - 17.3
 - NA - 16.9
 - E. Eur - 2.8
 - SA - 2.2
 - Others - 2.1
- Source: Automotive News.

3. US Volumes

● Imports	'05 Vol. (mil)	% chg. '00-'05
> Total	7.212	3.5
> Canada	2.330	(9.0)
> Japan	1.833	(1.0)
> Mexico	.979	(18.0)
> Korea	.731	16.2
> Germany	.547	11.2
> Other	.792	

- Source: US Dept. of Commerce.
- Passenger Vehicles and Light Trucks.

3. US Volumes

- Exports – CY 2005 (mil)

> Total	2.086
> Canada	.882
> Mexico	.344
> Germany	.124 (BMW and MB)
> Others	.736 (incl. EU, ME, SA)

- Source: US Dept. of Commerce.
- Passenger Vehicles and Light Trucks.

4. EC vs. WC Ports

- Volumes roughly split 50/50 for total of 3.9 million in 2005 – increase of 500,000 since 2003.
- Japan/Korea/Germany imports account for 79%.
- US Gulf not a factor except for VW.
- Space constraints – no green field projects.
- Rail – much more of an issue on WC.
- All water services continue to be more cost efficient than land-bridge.

5. Production Trends

- W. Eur and US are mature with exception of transplants in the Southeast.
- Korea and China will lead with small to mid-size vehicles.
- Trucks and SUV's will continue to be made in NA – but shift to Mexico.
- Build for market – Asian focus.

6. Manufacturing Trends

- US will see further plant closings and shift of production to Mexico.
- More consolidation/collaboration – especially in overseas markets.
- NA will have no export base except for transplants in the southeast.
- Import volumes will increase from Asia and continue to cause challenges to the ports.

7. Rail Issues

- Not dependable as far as transit times.
- No new equipment.
- Imbalance of tri-levels to bi-levels.
- Internal competition for equipment by plants versus ports and domestic versus imports.
- Mexico is a difficult situation.
- Vehicles/parts are not “high revenue” commodity for the Class 1 railroads – \$ 3.6 billion or 9.1% of total revenues.

8. Haulaway Issues

- Union vs. non-union.
- Drivers – equipment – fuel – insurance.
- Congested terminals and security issues.
- Little co-mingling of vehicles.
- Congested highways and dealer restrictions.
- Quality – open versus closed rigs.
- Critical for OTD process – but who pays?

9. Ocean Carrier Issues

- Industry consolidation – only seven carriers.
- Attempting to control more of the supply chain.
- Huge capital investments – return?
- Japanese still hold keys.
- Labor – Safety - Security – Environmental.
- Quality – Quality – Quality.

10. Labor Issues

- Productivity – same as 25 years ago.
- Quality – Damage Prevention.
- IT challenged.
- Autos under master contract – but most issues settled locally.
- Gang sizes - # of drivers – OT differential.

11. Port Issues

- Sell to ? - Manufacturer/Carrier/Processor.
- Manufacturer owned facilities versus multi-vehicle processors.
- Multi-level car parks/RFID.
- Domestic Storage.
- Rail connections and ramps – open terminals.
- Terminal labor.
- Harbor Maintenance Taxes.
- Landbridge requirements.
- Off-terminal storage.
- Port charges – tariff differentials.

12. Supply Chain and OTD

- Where do the ports fit in? Command and Control.
- Is order – to – delivery dead before it got started in regards to imports.
- How mix imports and domestics? Where?
- Are off-port distribution centers the long-term answer?
- Who controls the process? OEM's – Carriers.
- Individualized concept.
- See no leadership in industry for true collaboration.
- Toyota is still seen as the model.

13. Summary and Discussion

- Imports Rule.
 - Asian market.
 - Mexico short sea.
 - SA.
- Land constraints – how resolve.
 - Off-site storage/mixing centers.
 - Multi-level car parks.
 - Cost/Revenue per acre – Minimum annual guarantee.
 - RoRo vehicles and space.

13. Summary and Discussion

- Labor/Intermodal Carriers.
 - Better productivity/multiple starts/OT diff.
 - Seniority/House gangs.
 - IT issues/RFID model – Rotterdam Car Terminal.
 - Truck/Rail.
 - Rates are going up!
 - Haulaway Drivers and security.

13. Summary and Discussion.

- NA Ports: How do you keep your present dominant position and improve revenues.
 - Continue to facilitate the process.
 - Lock in revenue and throughput per acre.
 - Keep pressure on the railroads to provide not only service – but solutions.
 - Revisit domestic vehicle storage.
 - Help processing facilities with more ‘domestic’ work.
 - Hold focus groups with labor and tenants.

14. Summary and Discussion.

- NA Ports: How do you keep your present dominant position and improve revenues.
 - Facilitate velocity and direct to dealer distribution through graduated tariff discounts.
 - Do a manufacturer review with emphasis on five year plans for distribution patterns.
 - Continue to attract multi-port processors as they add to import potentials for same clientele.
 - Act as land broker for overflow volumes in peak periods and first point of rest areas.
 - Analyze master plan for additional sites.