Maritime Transportation and the Development of Transfer Ports in Latin America

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7 July 2010
Oro Verde Hotel, Manta, Ecuador

Halcrow

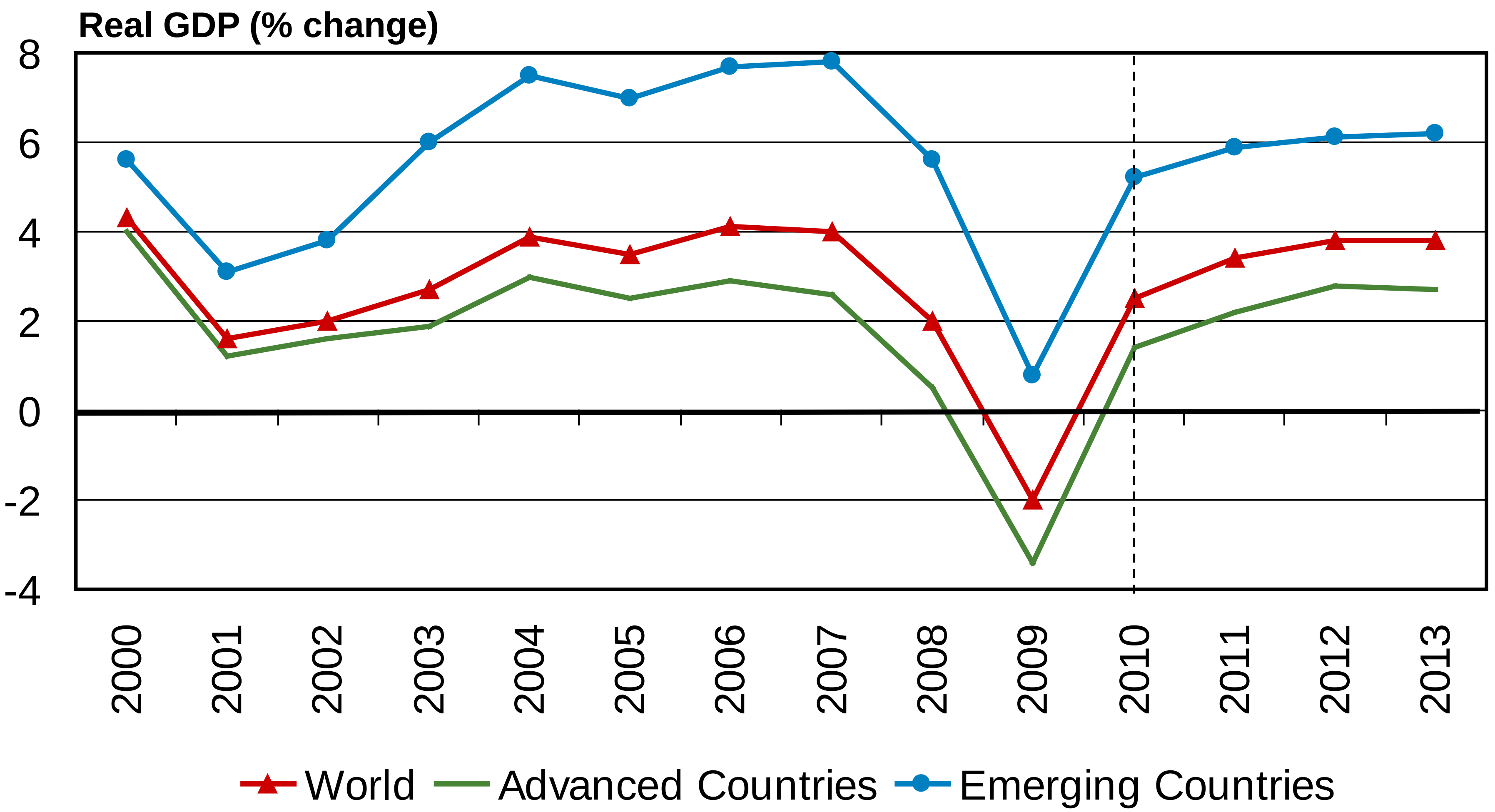
XIX Congreso Latinoamericano de Puertos

AAPA MANTA 2010

Agenda

1. **The Economic & Trade Outlook**
2. Industry-Wide Changes
3. Transshipping Trends
4. Takeaways/Conclusion

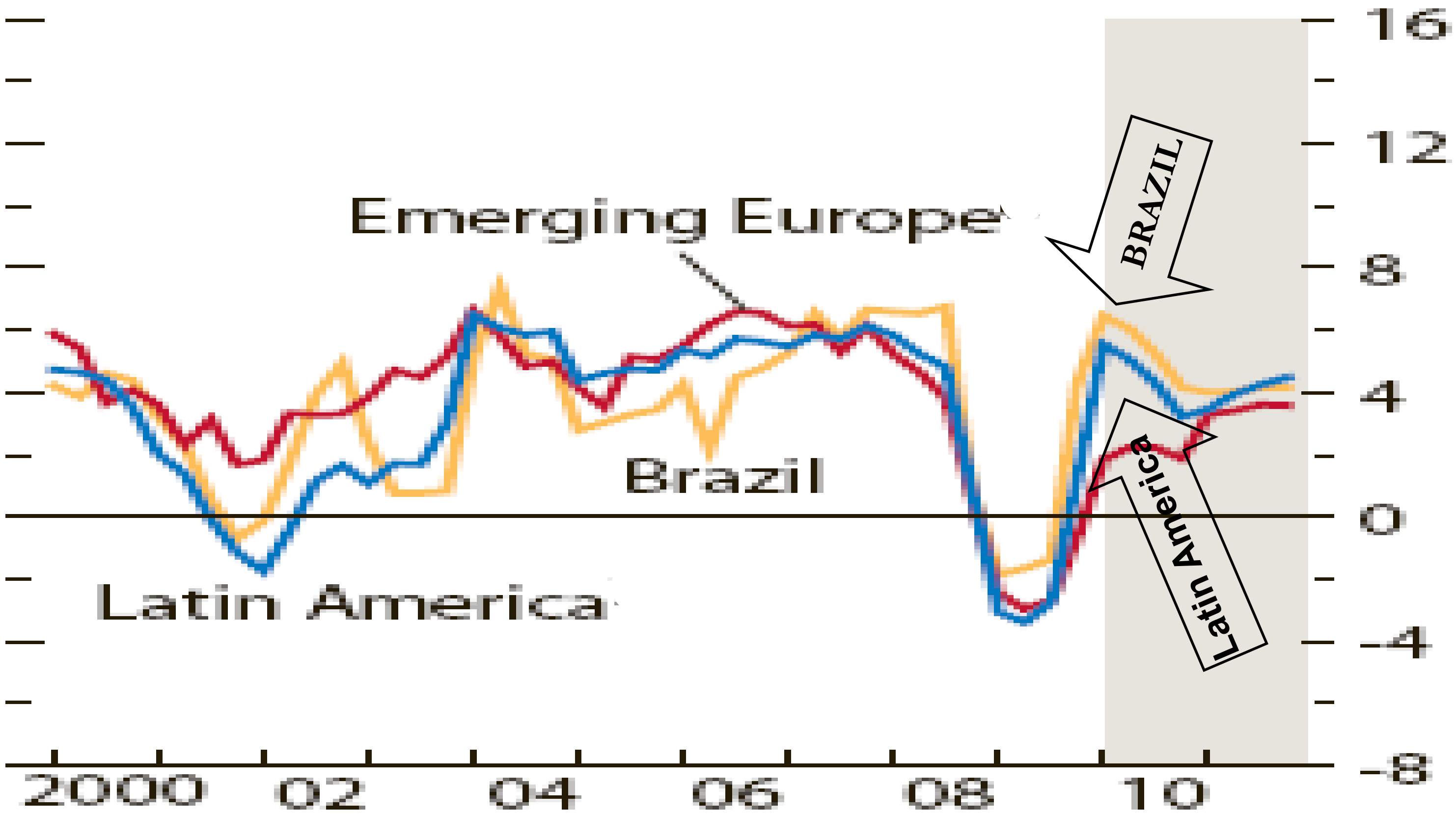
The emerging markets have helped to keep the world from falling into an even deeper recession and are leading the recovery.



Source: Global Insight

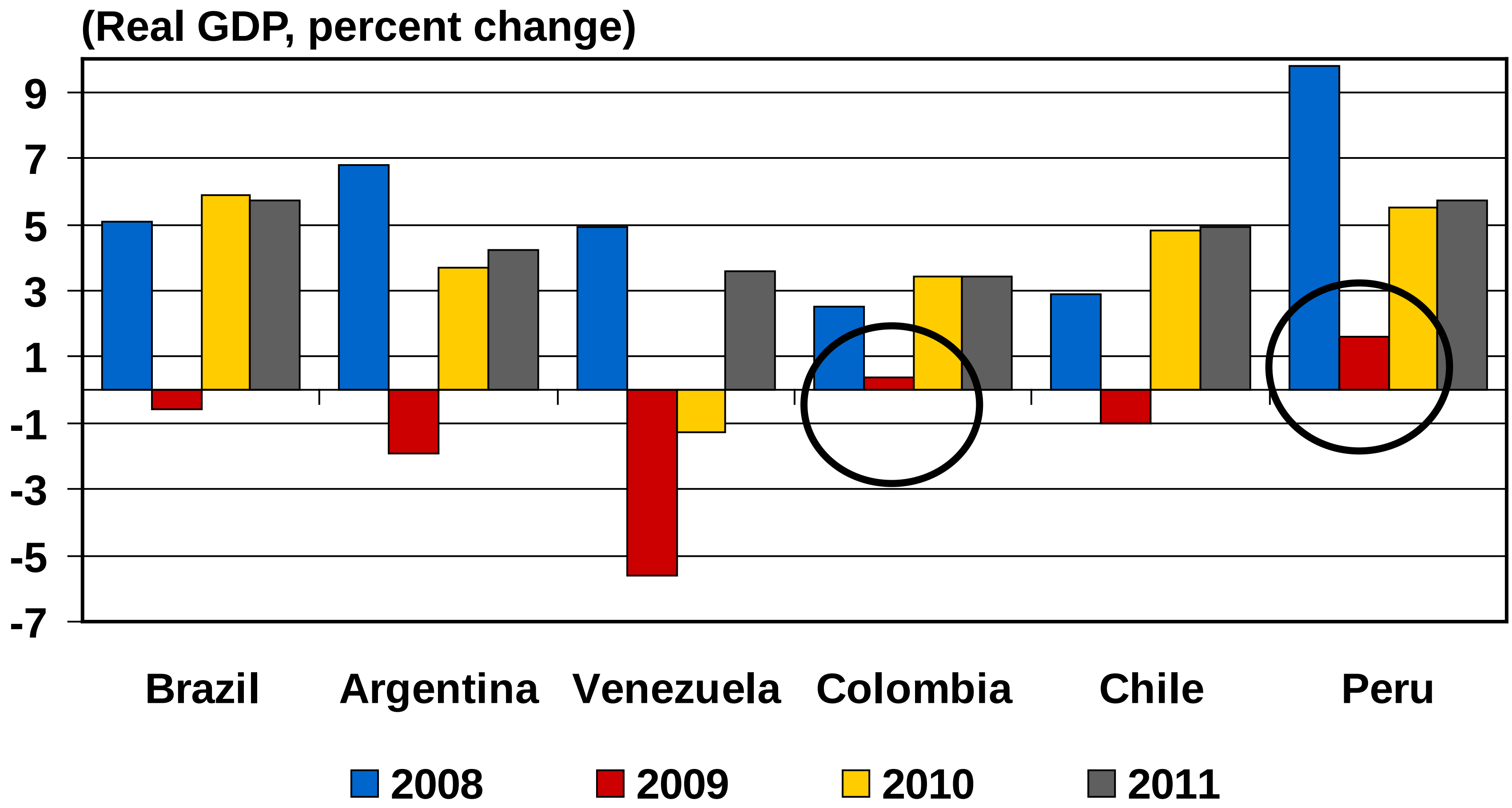
The Emerging Markets as seen by the IMF: Latin America

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

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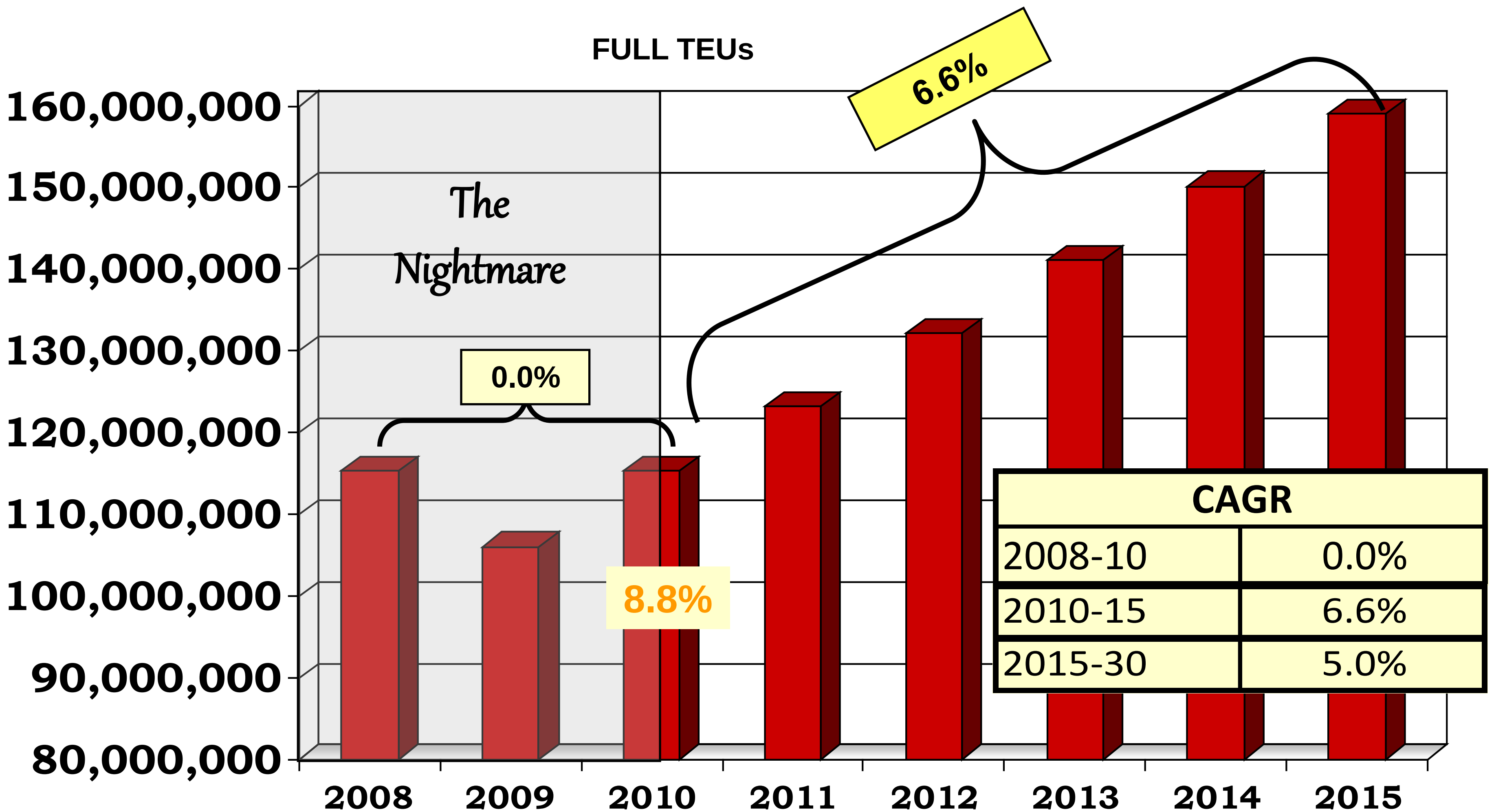
World TEUs will soon exceed the 2008 numbers. However, the years of double digit growth ('03, '04, '06) are not to be seen again.



CAGR	
2008-10	0.0%
2010-15	6.6%
2015-30	5.0%

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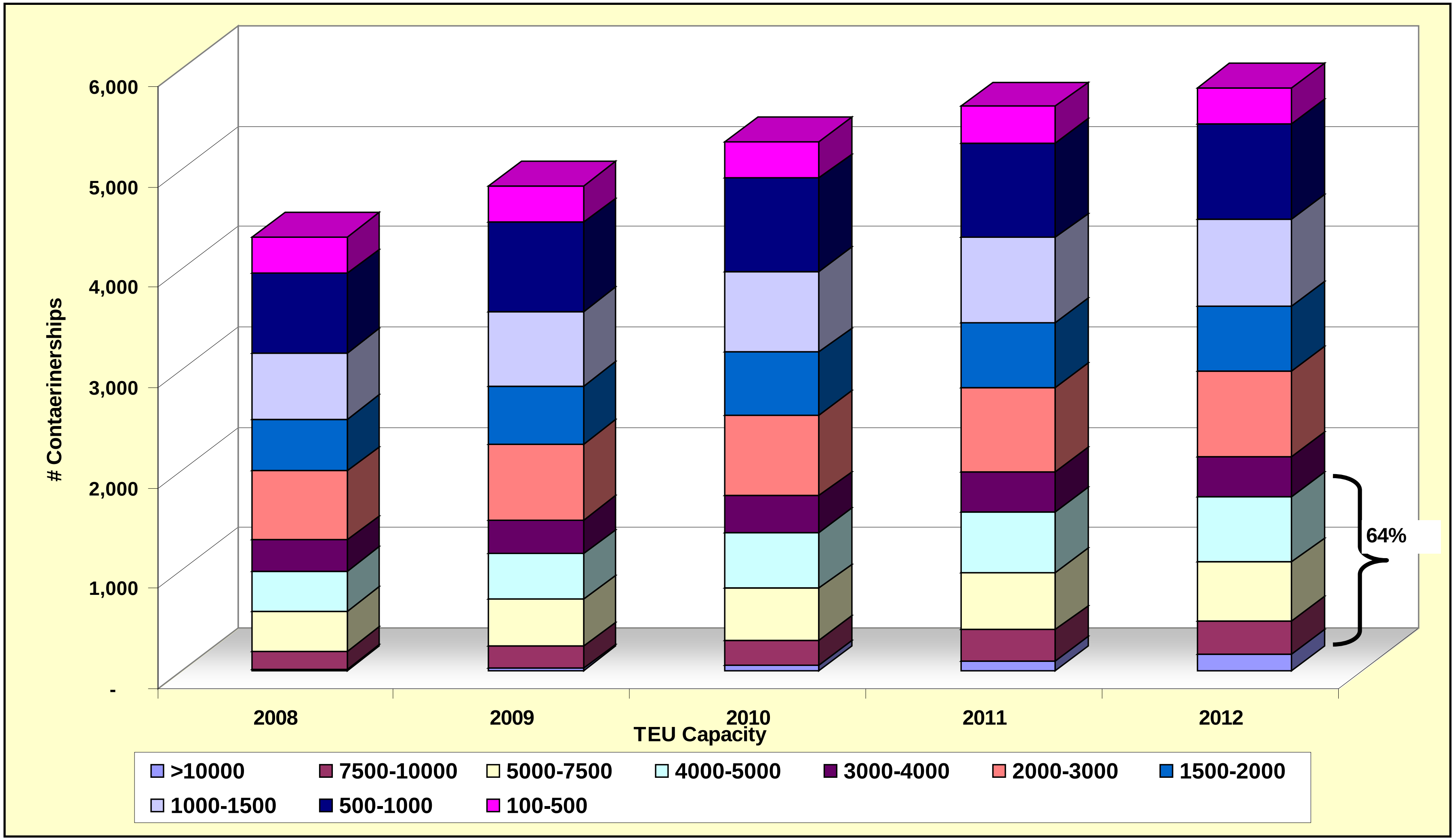
By 2012, 64% of containership capacity will be in Post-Panamax Vessels. Just 30% of the ships.



Source: Clarksons

There are truths and myths when it comes to the economics of bigger containerships.

	TRUE	FALSE
The PPX ships bring new efficiencies (lower costs) per TEU	✓	
The PPXs make money only when steaming	✓	
The PPXs will call many ports on the USEC and in the Caribbean		✓
Many ports can quickly and efficiently handle 8000+ TEUs from one ship		✓

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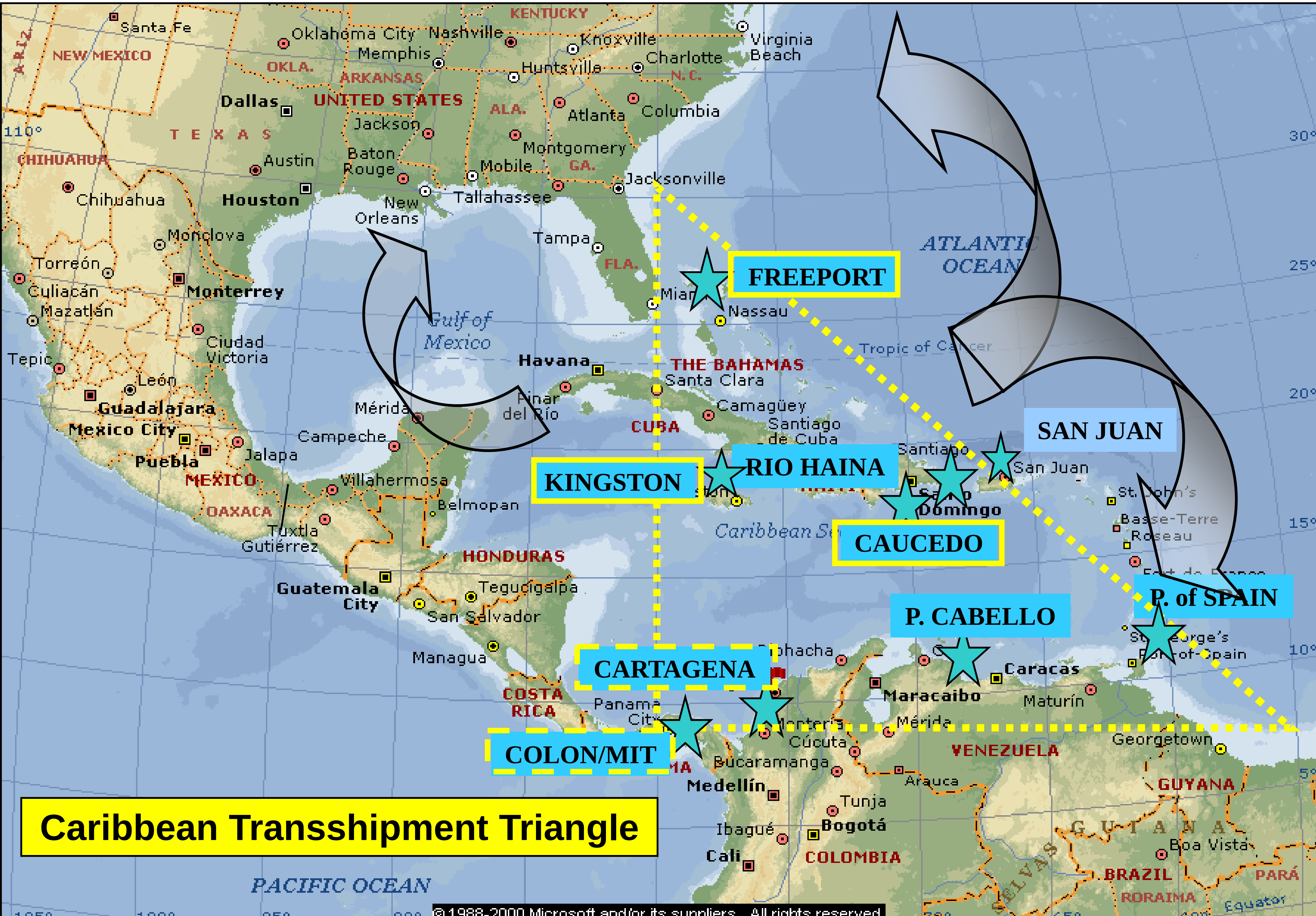
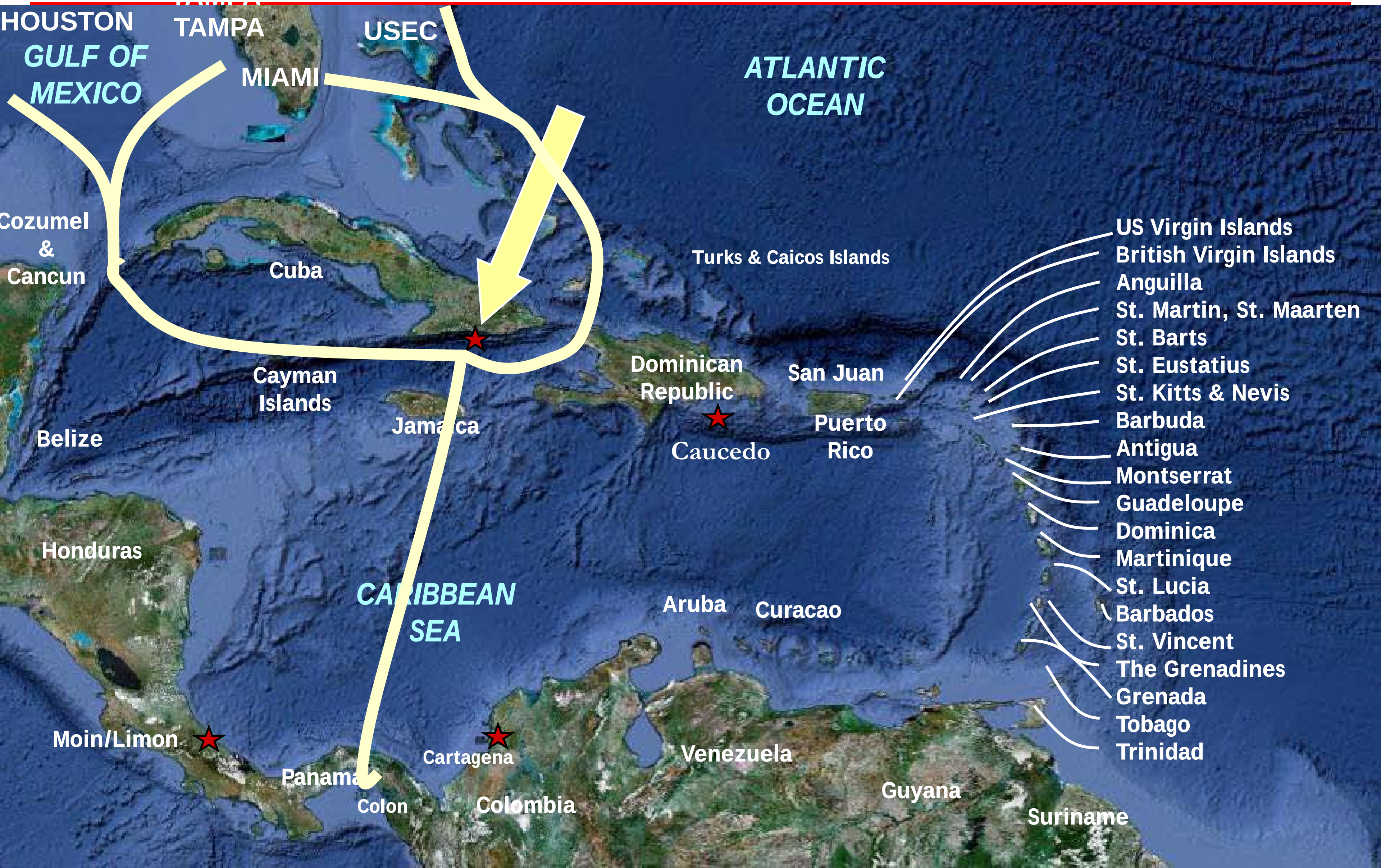
Transshipping makes sense for a number of reasons.

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

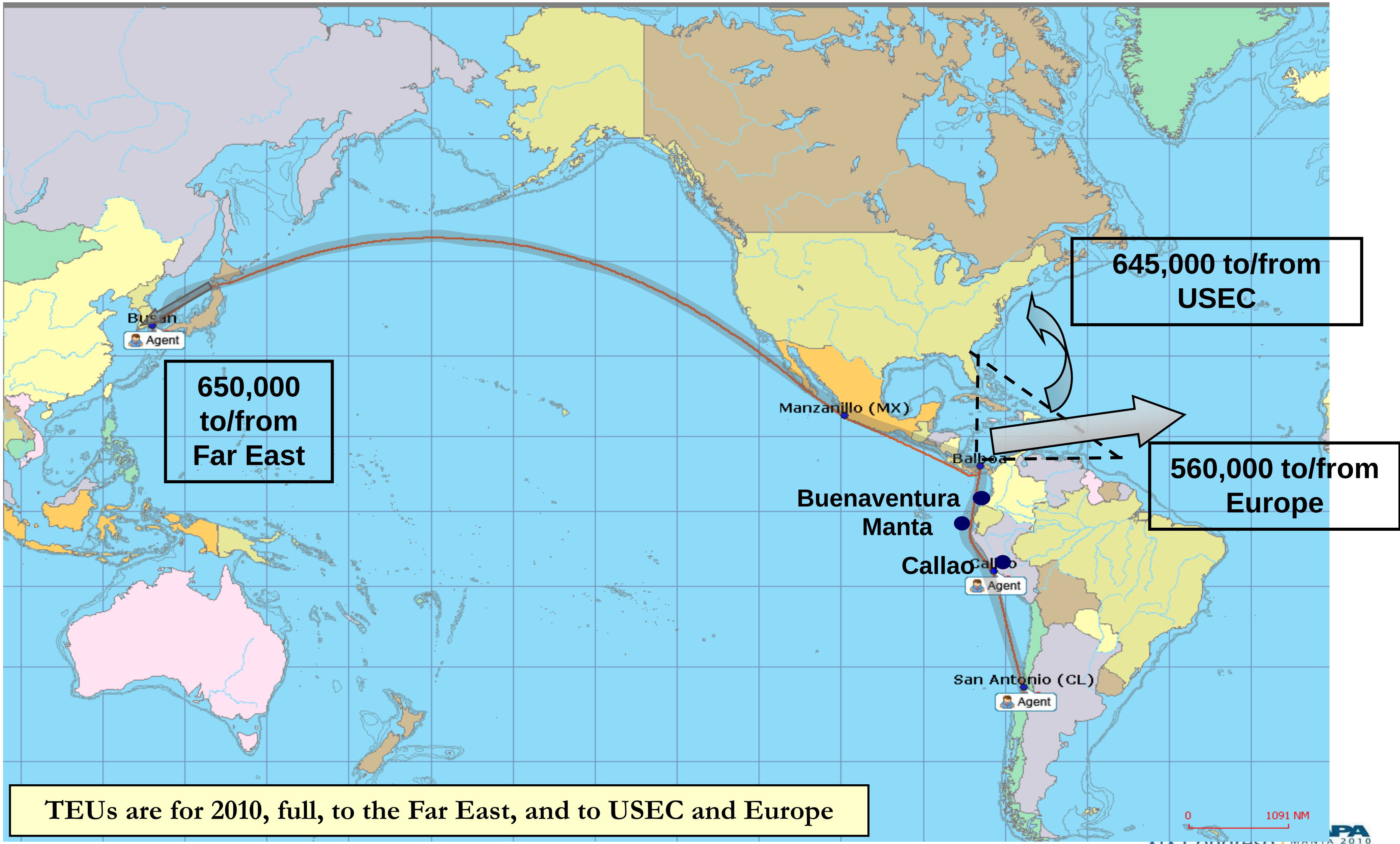
Now, the main Caribbean hubs are almost at full capacity.



Cuba has potential as a manufacturing and transshipment hub. But has China already won the race?

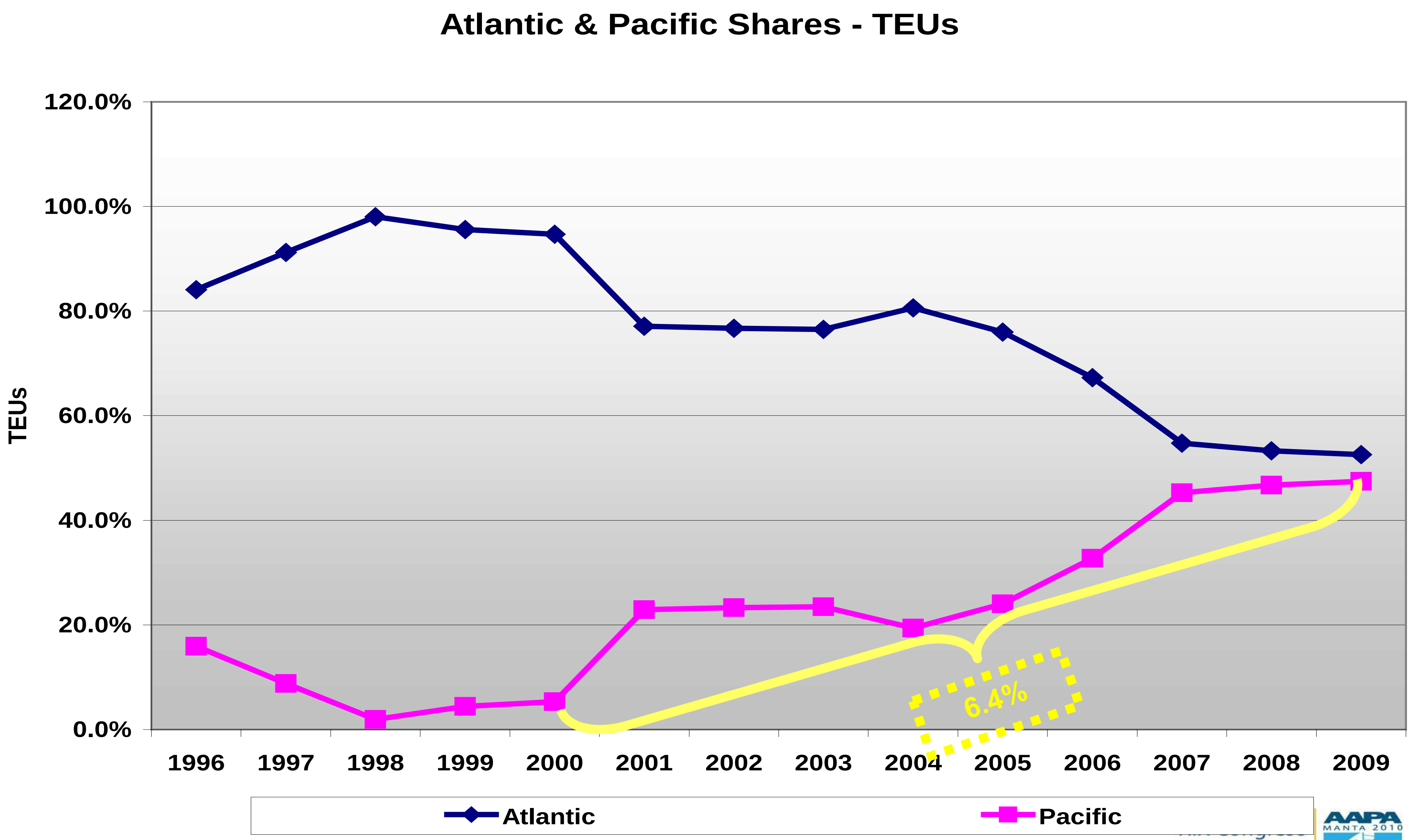


The WCSA flows create the need for transfer ports.

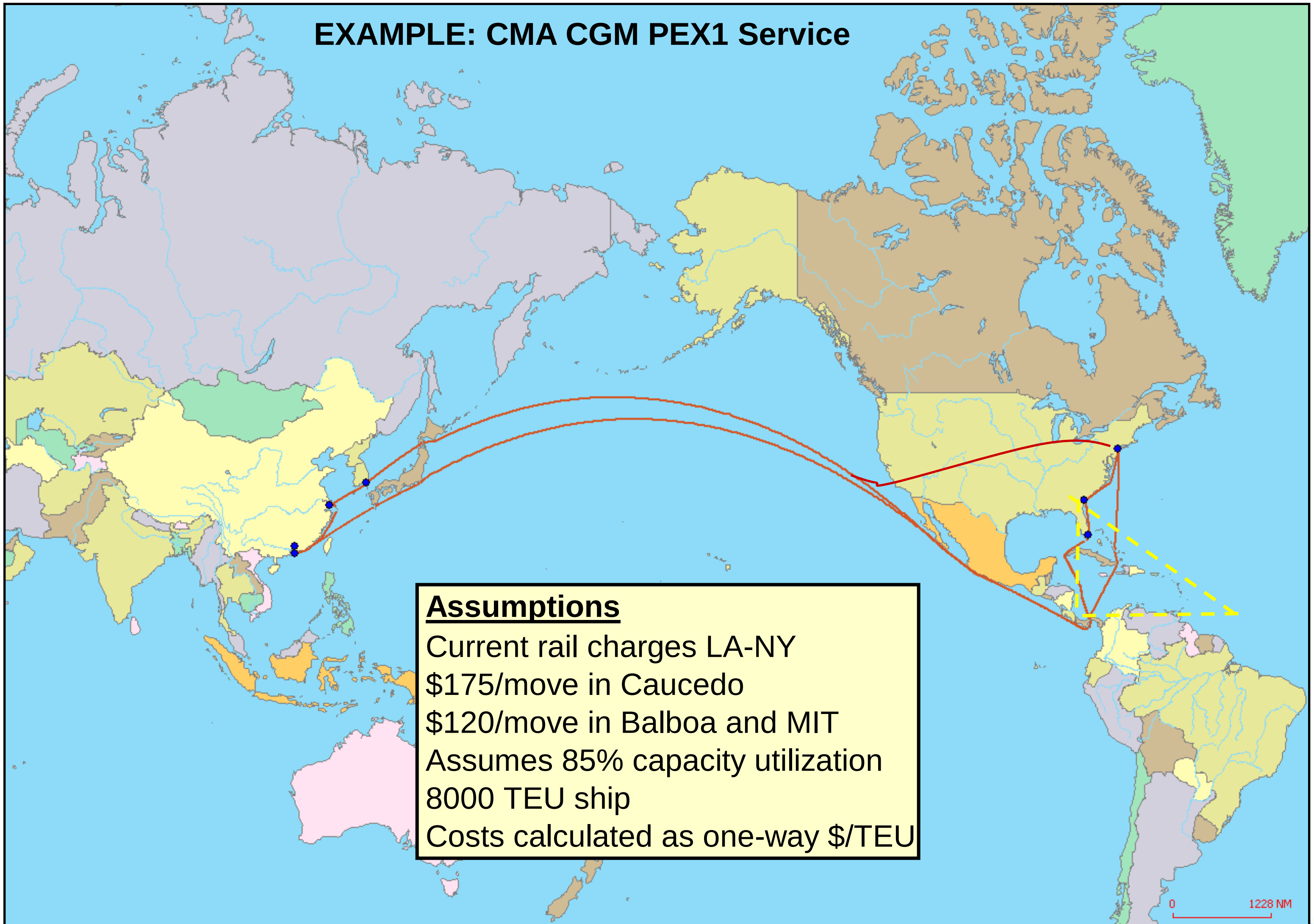


TEUs are for 2010, full, to the Far East, and to USEC and Europe

Panama's Pacific Coast has experienced strong growth, especially when compared to the Atlantic coast



On Asia-USEC, there is plenty of room for price flexibility at transshipment hubs.



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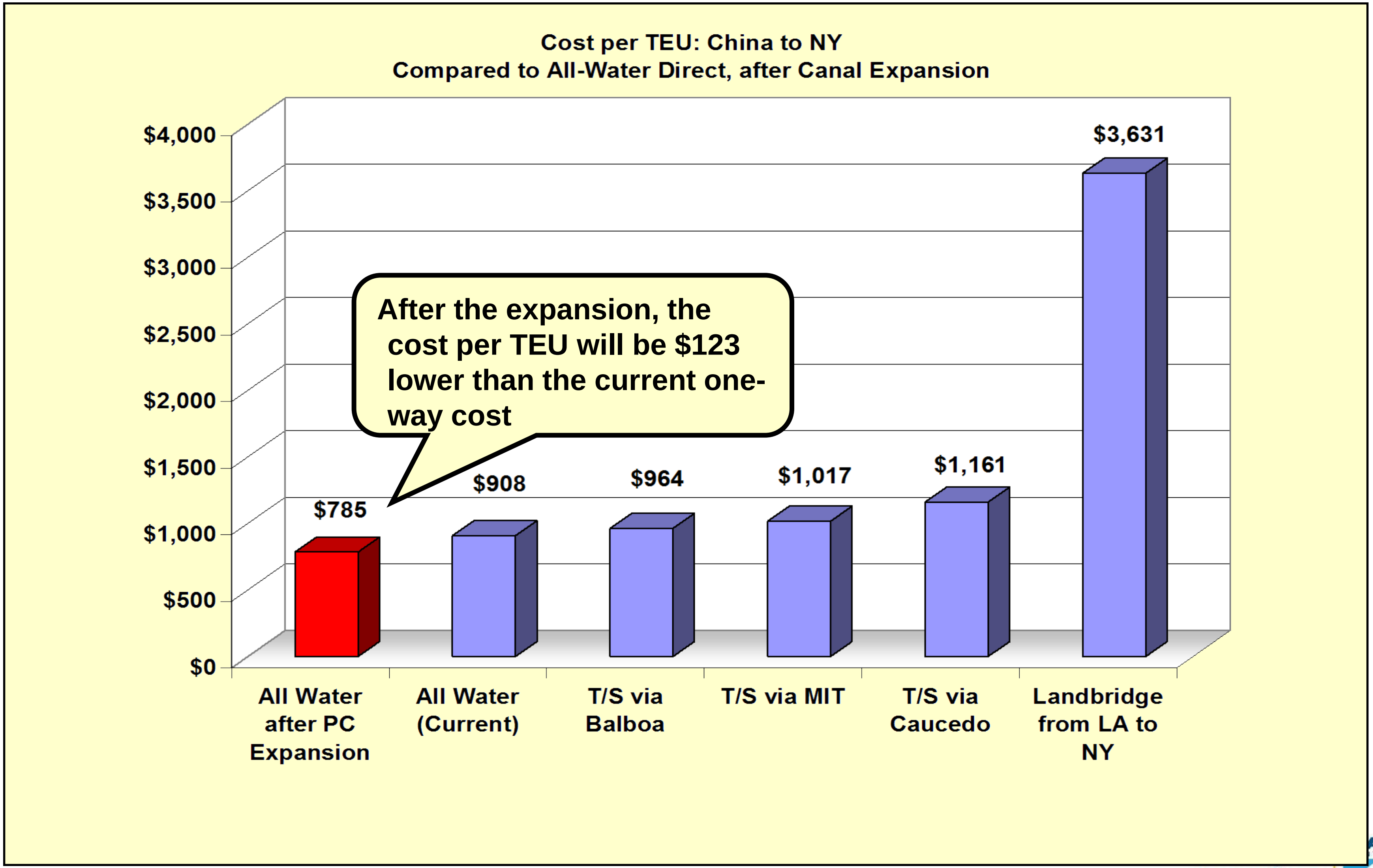
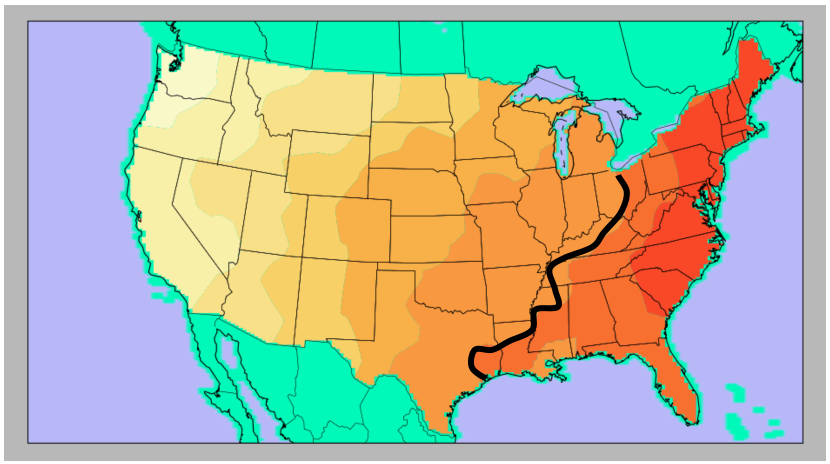
For Asia-USEC, the All-Water route is still the cheapest; but transshipment is not that far behind in terms of cost.



Using an 8000 TEU ship dramatically expands the accessible market from USEC ports.

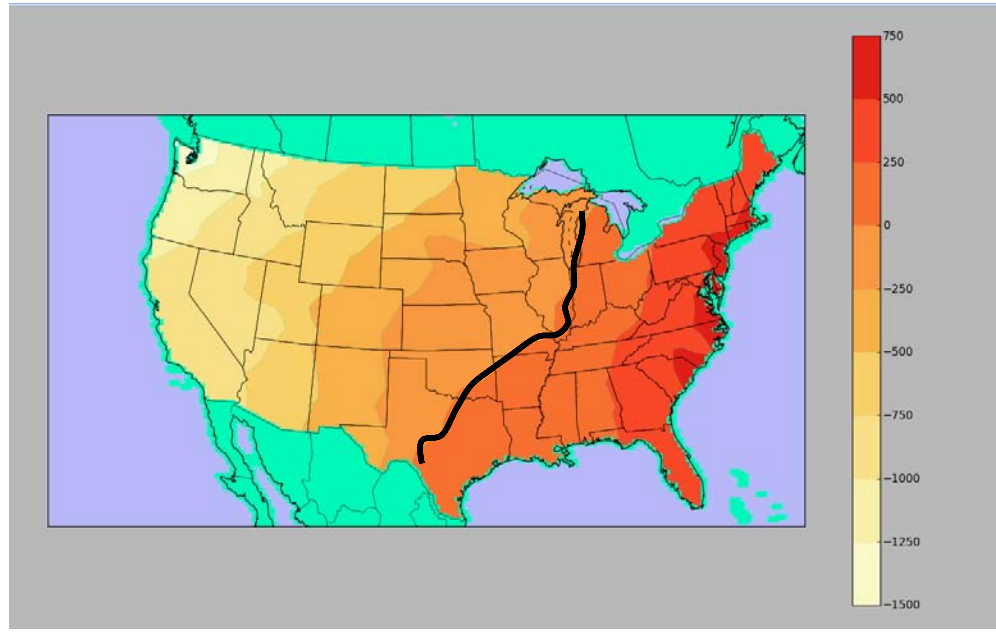
4000 TEU ship

51% of US market



8000 TEU ship

66% of US market



<u>Assumptions</u>

$400/MT bunker

Canal tolls based on 2011 proposal

Current ship charter rates

Inland move by rail

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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