Welcome and Introductions

**Moderator:** Patrick Burnson  
Executive Editor, *Supply Chain Management Review*

**Speaker:** David Jacoby  
President, *Boston Strategies International*
This report has been prepared by Boston Strategies International at the request of CLIENT for the purpose of establishing its operating strategies. It may not be appropriate for other purposes or audiences. This report contains forward-looking statements and projections with respect to anticipated future performance of CLIENT, suppliers, customers, and/or general or specific economic conditions and factors that are based on Boston Strategies International’s analysis of market trends and external data. Forward-looking statements and projections are not guarantees of future performance and involve significant business, economic and competitive risks, contingencies and uncertainties, which are difficult to predict. Accordingly, these projections and forward-looking statements may not be realized and actual results may vary up or down. This report may not be reproduced or distributed without express written approval from Boston Strategies International.
## BSI: Supply Chain Management Consulting

### Overview
- World leader in supply chain economics
- Facilitates strategic supply agreements that assure global quality and technology leadership and meet local content requirements

### Value Proposition
- 30% higher profit margin
- 50 times payback on consulting services

### Core Services
- Market Intelligence
- Negotiation Support
- Supply Chain Optimization

### Other Services
- Strategic Planning, Operations Planning, Project Management, Training & Skill Building, Custom Metrics and Benchmarks, Cost & Pricing Analyses

### Office Locations
- Boston (US), UAE, India
- Affiliates in Bahrain, Qatar, and Saudi Arabia, China, Columbia, Iraq, Nigeria, and the United Kingdom
A Stable Competitive Playing Field Has Instilled Rate Discipline

- Less than 1% divergence in market shares, Q1-Q3
- Maersk – focus on service, no rate wars

## Carrier Market Shares and Percent of Top 10 Traffic, Comparison of January to September 2012

<table>
<thead>
<tr>
<th>Rank</th>
<th>Operator</th>
<th>January</th>
<th>Operator</th>
<th>September</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>APM-Maersk</td>
<td>26%</td>
<td>APM-Maersk</td>
<td>25%</td>
</tr>
<tr>
<td>2</td>
<td>MSC</td>
<td>21%</td>
<td>MSC</td>
<td>21%</td>
</tr>
<tr>
<td>3</td>
<td>CMA CGM</td>
<td>13%</td>
<td>CMA CGM</td>
<td>13%</td>
</tr>
<tr>
<td>4</td>
<td>Hapag-Lloyd</td>
<td>6%</td>
<td>COSCO</td>
<td>7%</td>
</tr>
<tr>
<td>5</td>
<td>COSCO</td>
<td>6%</td>
<td>Evergreen Line</td>
<td>7%</td>
</tr>
<tr>
<td>6</td>
<td>APL</td>
<td>6%</td>
<td>Hapag-Lloyd</td>
<td>6%</td>
</tr>
<tr>
<td>7</td>
<td>Evergreen</td>
<td>6%</td>
<td>APL</td>
<td>6%</td>
</tr>
<tr>
<td>8</td>
<td>CSCL</td>
<td>5%</td>
<td>Hanjin Shipping</td>
<td>5%</td>
</tr>
<tr>
<td>9</td>
<td>Hanjin</td>
<td>5%</td>
<td>CSCL</td>
<td>5%</td>
</tr>
<tr>
<td>10</td>
<td>MOL</td>
<td>4%</td>
<td>MOL</td>
<td>5%</td>
</tr>
</tbody>
</table>

Table Source: Boston Strategies International analysis of data from Alphaliner
TransPacific Rates Have Risen Throughout the Year

- GRIs have stuck on Asia-USWC and Asia-USEC
- Asia-USWC spot rates have risen 44%
- Shanghai Container Freight Index rose 70%

Spot Rates from Asia to USWC

Chart Source: Journal of Commerce with credit to Shanghai Shipping Exchange.
However, Signs of Rate Weakness Have Appeared in Other Routes

- Composite index of rates has fallen 15% since May.
- The Eurozone crisis is continuing to depress Asia-Europe volumes.
  - WB: European consumption is stalling – China-Europe rates fell 40% and China-Med fell 46% last week
  - EB: Asia seems to be growing regardless of the state of the economy in the EU and U.S.” (8% vs. 1-2%)

Chart Source: Journal of Commerce with credit to Shanghai Shipping Exchange.
The Slowing US Economy Will Put a Brake on Inbound Rates

- Forward rates into the USWC and also the USEC indicate a sharp drop in 2013.
  - 27% drop into USWC
  - 8% drop into USEC

ICAP Forward Rates

As Traffic Volume Continues to Slow

- Overall imports up 7-10% last few months, a result of the peak.
- However, West Coast imports up only 0.7% January-August.*

* Based on exports and imports to Los Angeles and Long Beach.

Chart Source: BSI analysis of data JOC-PIERS data.
The Net Trade Balance Will Improve Temporarily as Imports Fall

- The growth of exports and imports is very close to a wash, which means that the government policy was effective.
- However, spending patterns will resume a strong import trend by 2013 Q3, keeping the trade balance structurally negative.

![Balance of Trade Chart]

Chart Source: BSI analysis of data JOC-PIERS data.
Outlook for 2013

- Election and trade policy
- Maersk and pricing discipline
- Economy and exchange rates
- Negotiation and indexation
- Panama Canal preparations
- Dredging investments
- Fuel costs
- Piracy trends
- Environmental regulations
- Dockworkers negotiations
- Control of chassis pools
- Etc.
Thank You!

David Jacoby  
djacoby@bostonstrategies.com  
Tel: + 1 617 593 2620

Boston Strategies International is a global management consulting firm that helps market leaders achieve competitive advantage through optimal supply chain management. Our practice areas include:

• Supply Risk Mitigation  
• Partner Selection and Development  
• Negotiation Support  
• Operational Alignment

Basra ● Beijing ● Bogota ● Boston ● Dammam ● Doha ● Dubai ● Lagos ● London ● Manama ● New Delhi ● Portland ● Washington DC
Questions and Answers

Moderator: Patrick Burnson
Executive Editor, Supply Chain Management Review

Speaker: David Jacoby
President, Boston Strategies International