

Welcome and Introductions



Moderator: Patrick Burnson

Executive Editor, *Supply Chain Management Review*

SUPPLYCHAIN
MANAGEMENT REVIEW



Speaker: David Jacoby

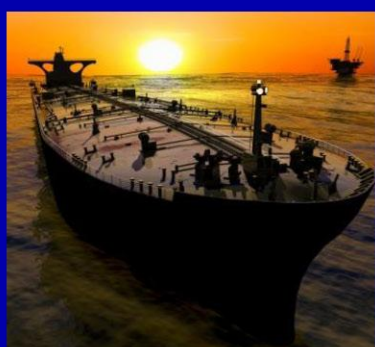
President, *Boston Strategies International*



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Ocean Shipping Market Analysis: 2012 Q4



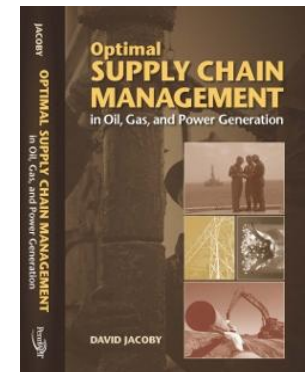
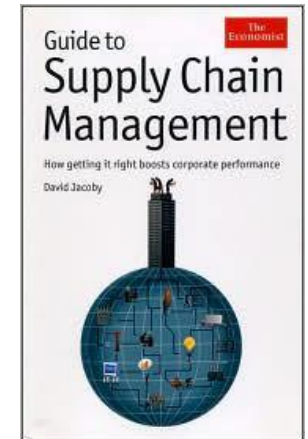
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BSI: Supply Chain Management Consulting

<p>Overview</p>	<ul style="list-style-type: none"> • World leader in supply chain economics • Facilitates strategic supply agreements that assure global quality and technology leadership and meet local content requirements
<p>Value Proposition</p>	<ul style="list-style-type: none"> • 30% higher profit margin • 50 times payback on consulting services
<p>Core Services</p>	<ul style="list-style-type: none"> • Market Intelligence • Negotiation Support • Supply Chain Optimization
<p>Other Services</p>	<ul style="list-style-type: none"> • Strategic Planning, Operations Planning, Project Management, Training & Skill Building, Custom Metrics and Benchmarks, Cost & Pricing Analyses
<p>Office Locations</p>	<ul style="list-style-type: none"> • 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

Rank	January		September	
	Operator	January	Operator	September
1	APM-Maersk	26%	APM-Maersk	25%
2	MSC	21%	MSC	21%
3	CMA CGM	13%	CMA CGM	13%
4	Hapag-Lloyd	6%	COSCO	7%
5	COSCO	6%	Evergreen Line	7%
6	APL	6%	Hapag-Lloyd	6%
7	Evergreen	6%	APL	6%
8	CSCL	5%	Hanjin Shipping	5%
9	Hanjin	5%	CSCL	5%
10	MOL	4%	MOL	5%

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%

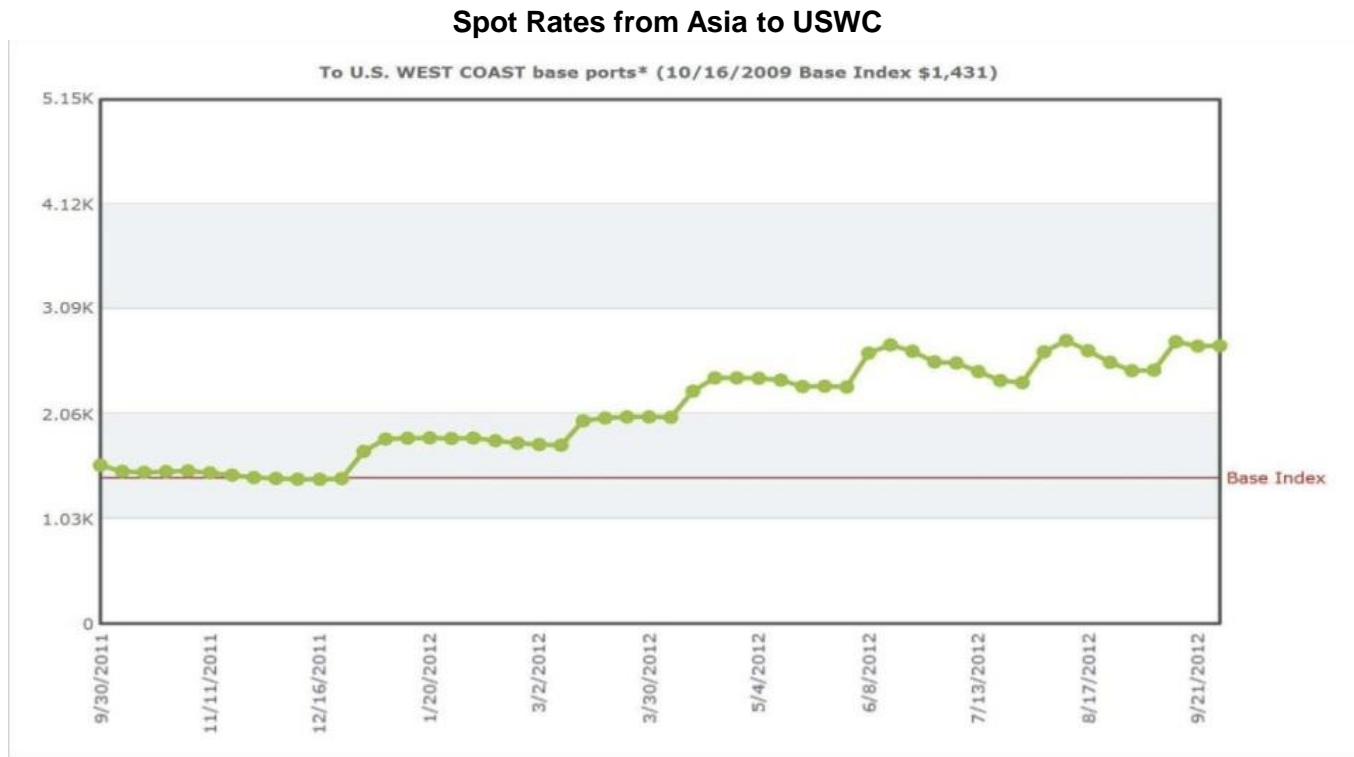


Chart Source: Journal of Commerce with credit to Shanghai Shipping Exchange.



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%)

Shanghai Container Composite Freight Index

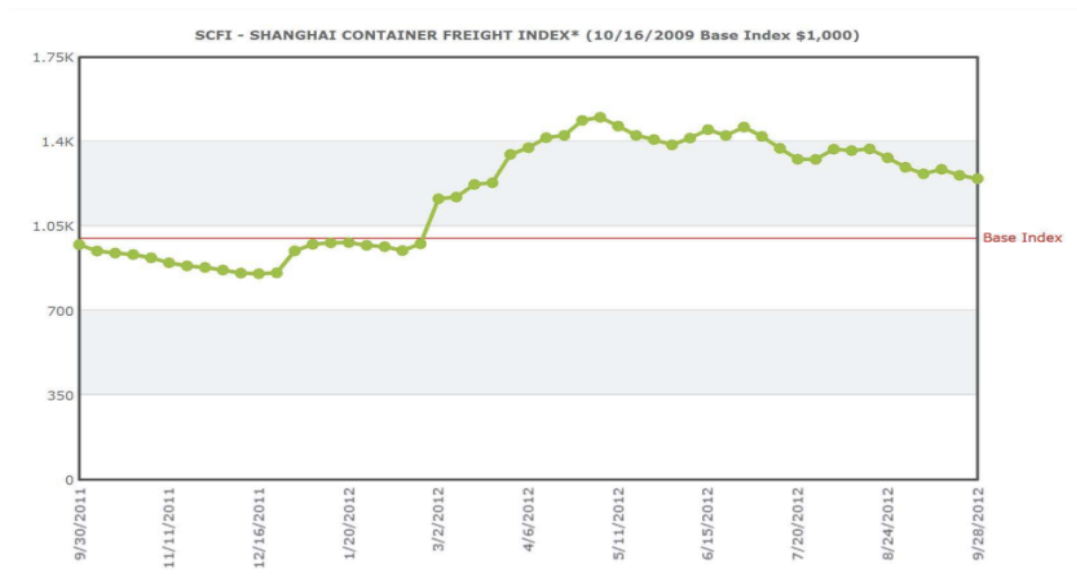


Chart Source: Journal of Commerce with credit to Shanghai Shipping Exchange.



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

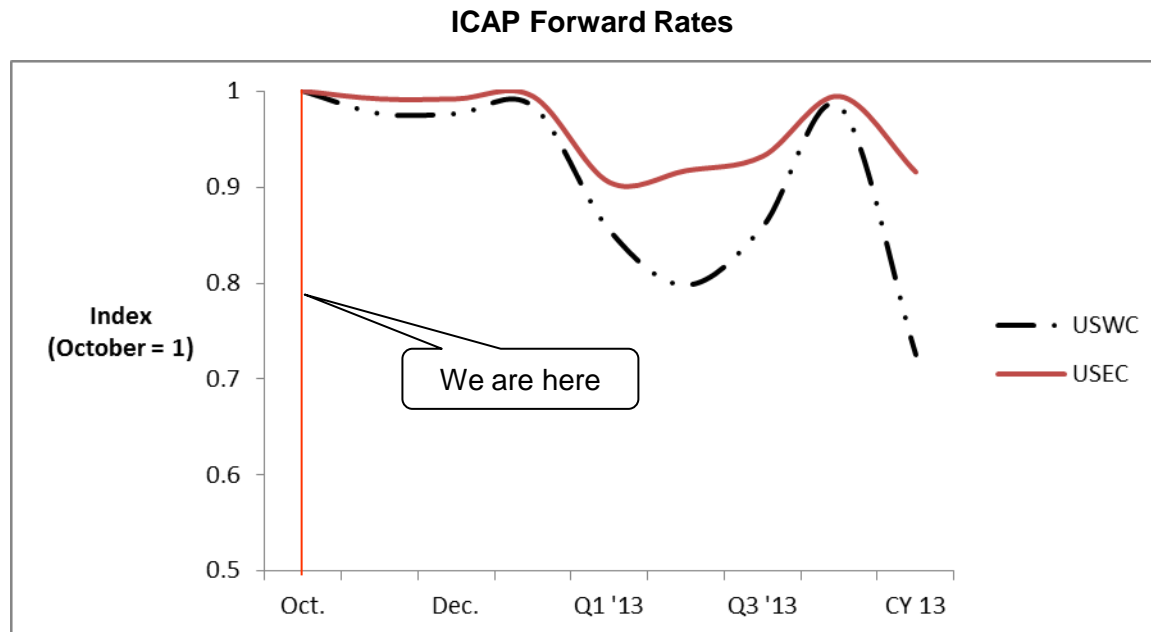
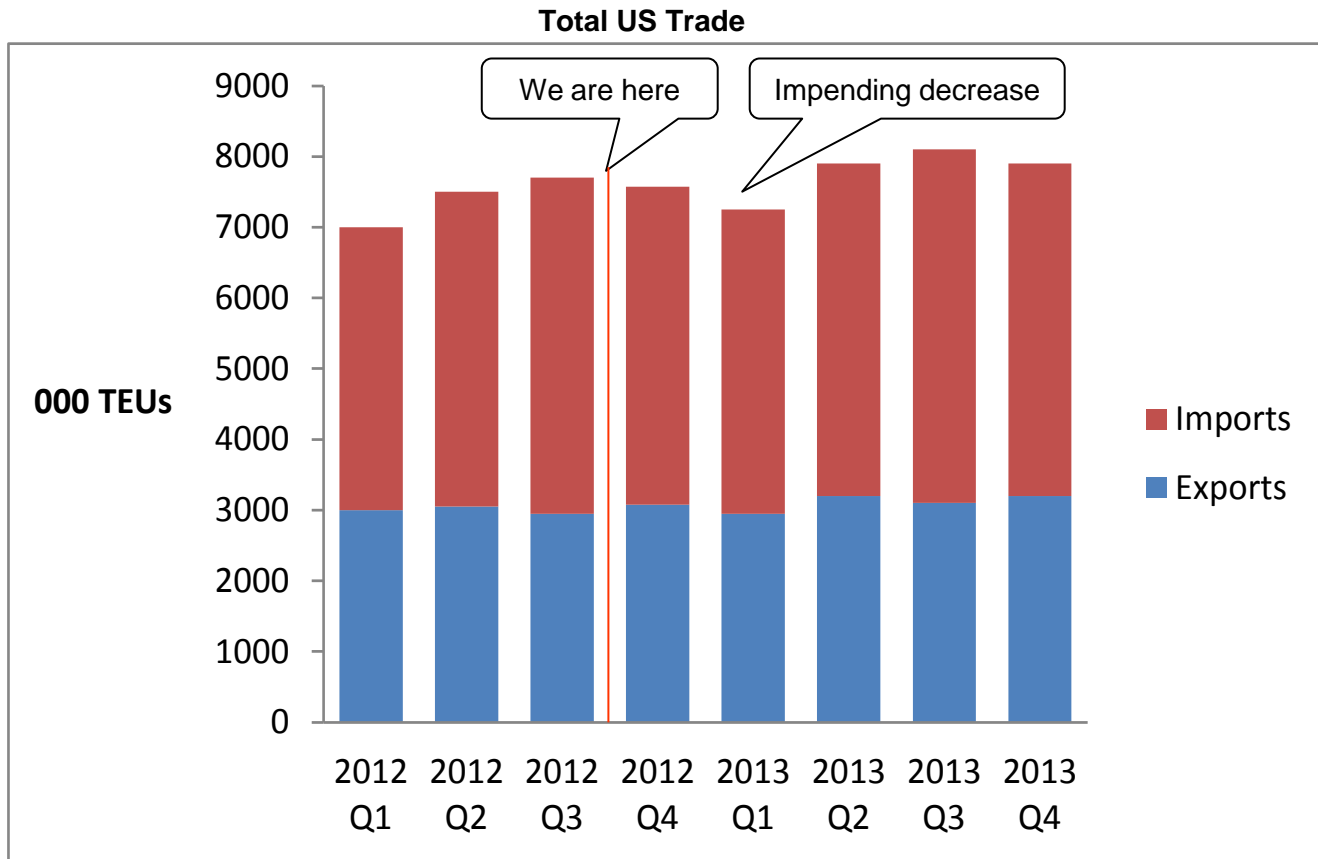


Chart Source : BSI analysis of JOC ICAP Shipping Forward Curve Rates, October 10, 2012.



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.

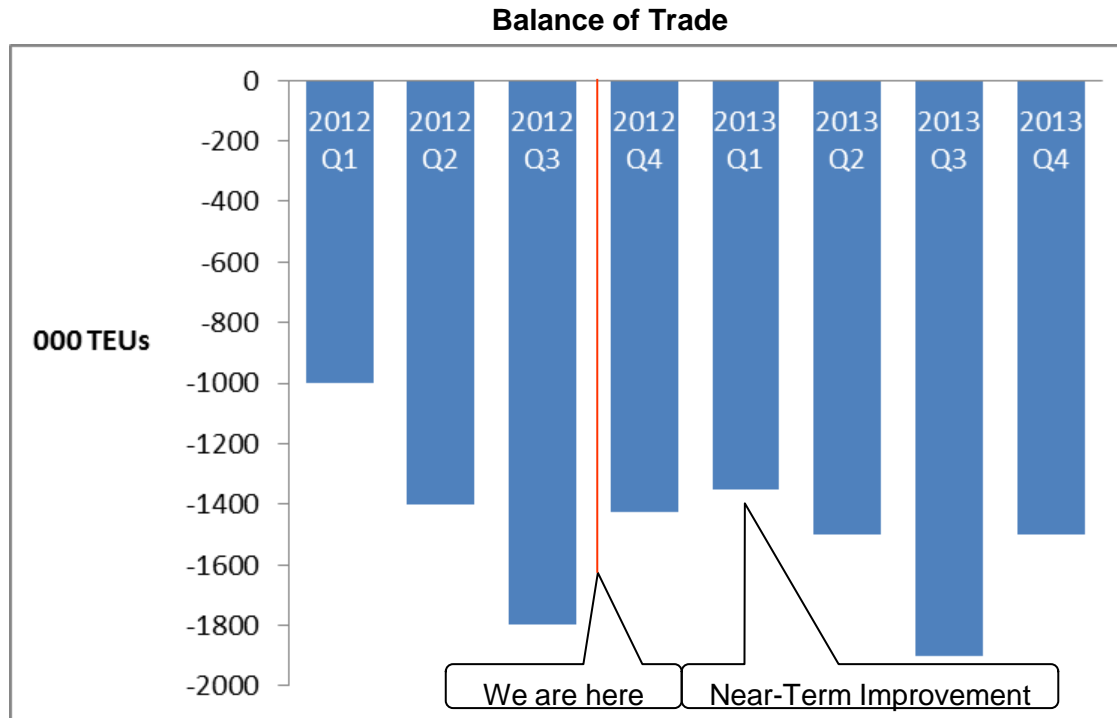


Chart Source: BSI analysis of data JOC-PIERS data.



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!

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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**



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Questions and Answers



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