

# Will County Transportation & Logistics Council Presentation

February 19, 2008



# The Global Landscape and Industry Challenges

## Agenda

- > Introduction and Maersk Line History
- > U.S. Economic Landscape
- > Global Market Drivers
- > North American Industry Challenges

Presenter:

Mike Horn

Director, Business Development

## A.P. Moller – Maersk Group

The A.P. Moller – Maersk Group was founded by Mr Arnold Peter Moller and his father in 1904

Today, the A.P. Moller – Maersk Group is one of the world's leading container shippers and logistics companies, and widely renown for our dedication to quality, service, and reliability

Business activities:

- > Container activities, Other shipping activities
- > Offshore
- > Oil and gas
- > Retail
- > Industrial activities



## A few facts

Head office in Copenhagen, Denmark

More than 110,000 employees

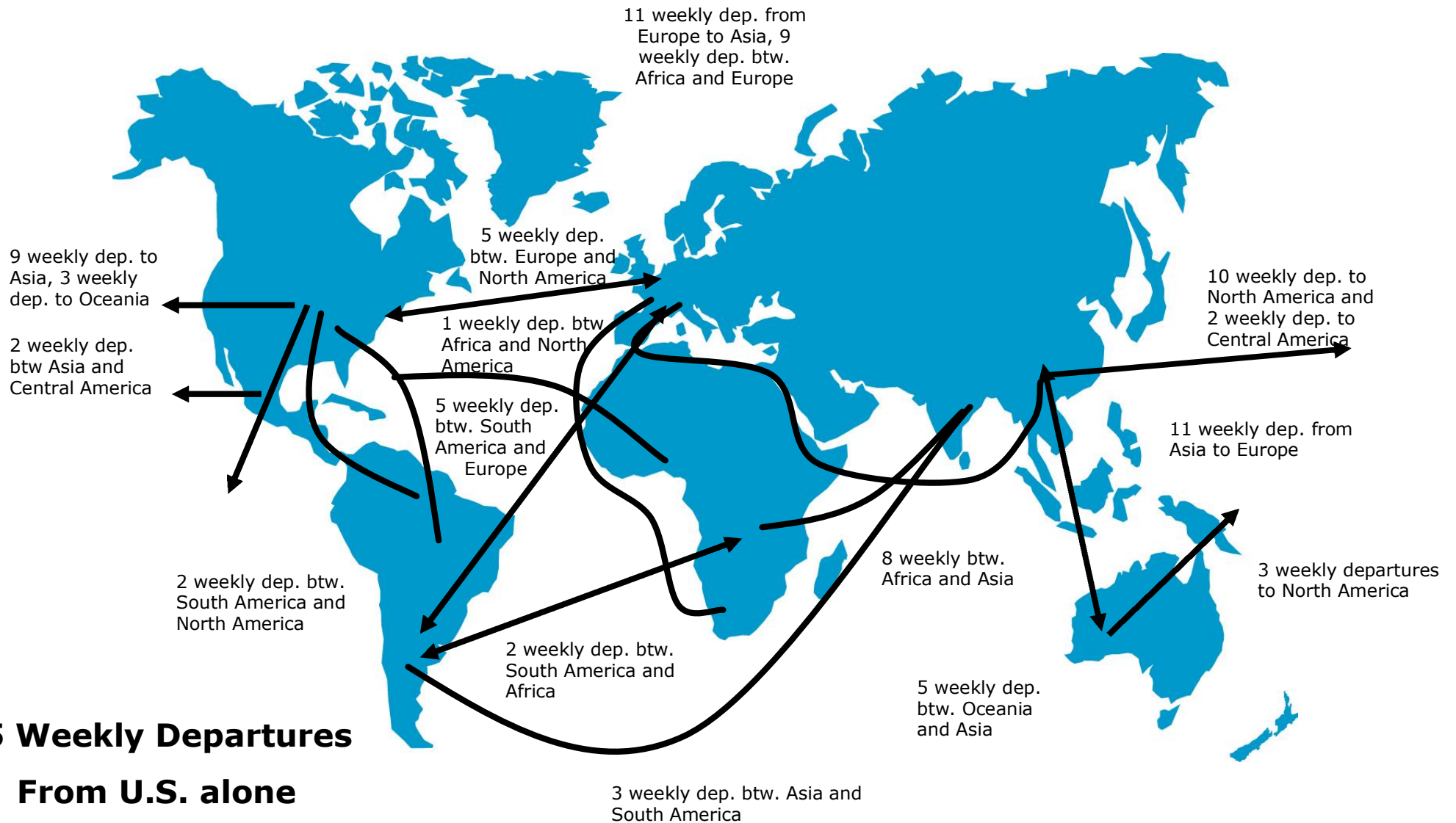
Offices in more than 125 countries

Approximately 500 owned ships incl.:

- > Container vessels
- > Tankers
- > Gas carriers
- > Supply vessels
- > Ro-Ro vessels

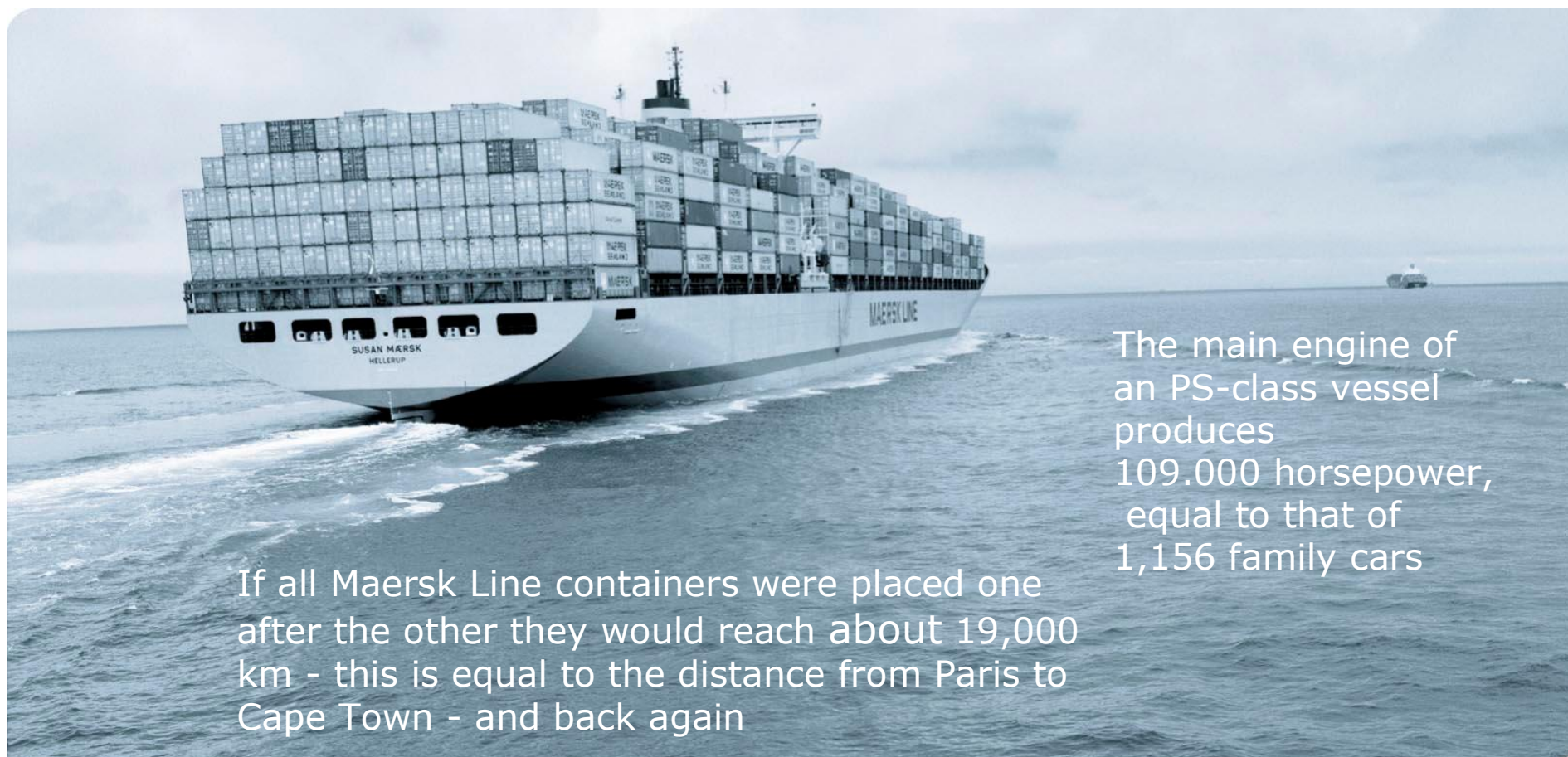


# Maersk Line's network per 1 February 2008



**25 Weekly Departures  
From U.S. alone**

## Example of one of our larger Container Vessels



If all Maersk Line containers were placed one after the other they would reach about 19,000 km - this is equal to the distance from Paris to Cape Town - and back again

The main engine of an PS-class vessel produces 109.000 horsepower, equal to that of 1,156 family cars

## US Economic Landscape – 2008

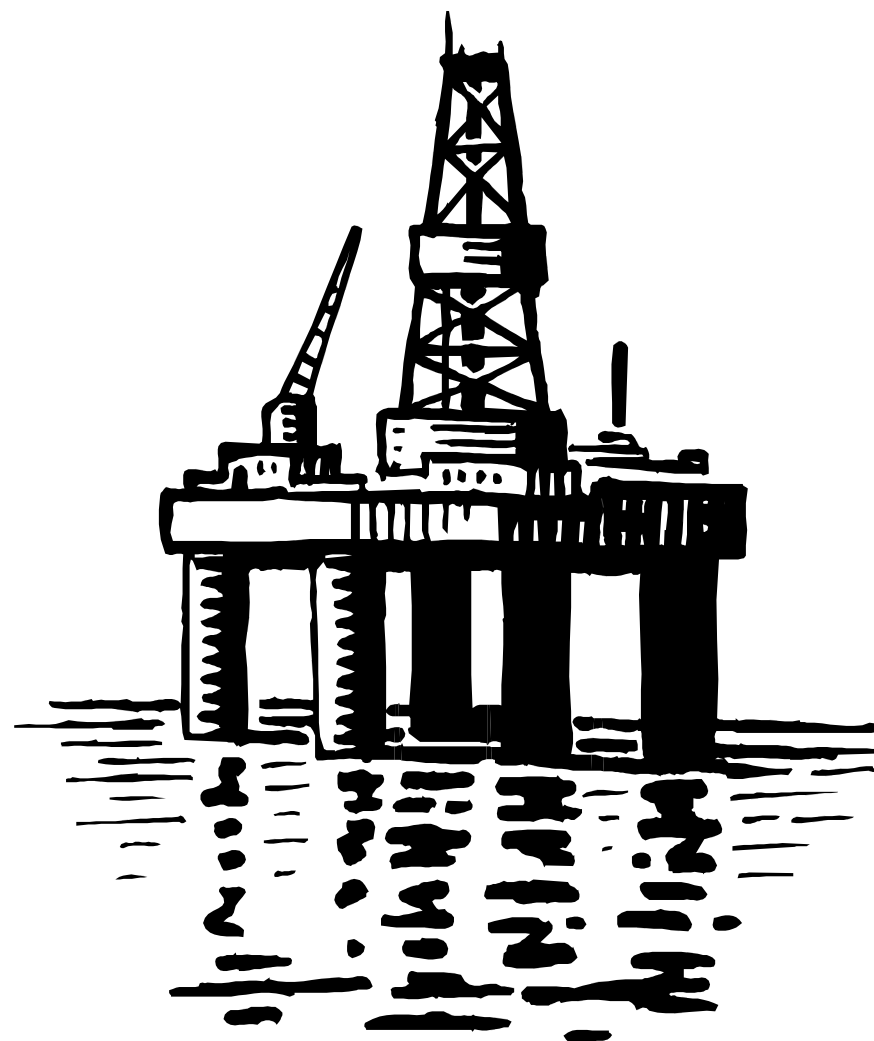
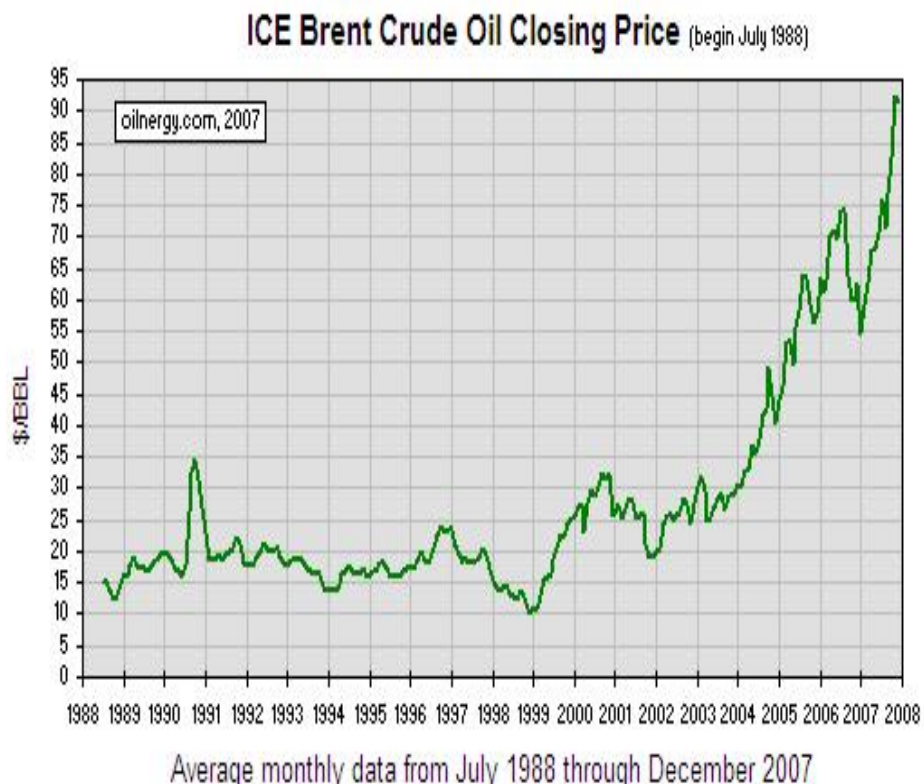
### **Pressure on fundamentals leaving little momentum into 2008**

- > US GDP is forecasted to maintain the 2007 level, down from previous projections
- > Fuel prices remain high and are increasing
- > Unemployment worries are abundant
- > Consumer spending and overall confidence is down
- > Recession fears are prevailing
- > Election year uncertainty abounds
- > The housing crisis is hitting consumers and related industries hard
  - > Homes sales continue to slow (new and existing)
  - > The financial industry taking the brunt of the fallout
  - > Tightening credit will continue as banks attempt to soften the landing
  - > Construction and home goods purchasing are experiencing residual impact

# US Economic Landscape – 2008

## Fuel prices continue to increase

- > Oil prices continue to rise
  - > Estimated indicate at or near \$100 per BBL is here to stay

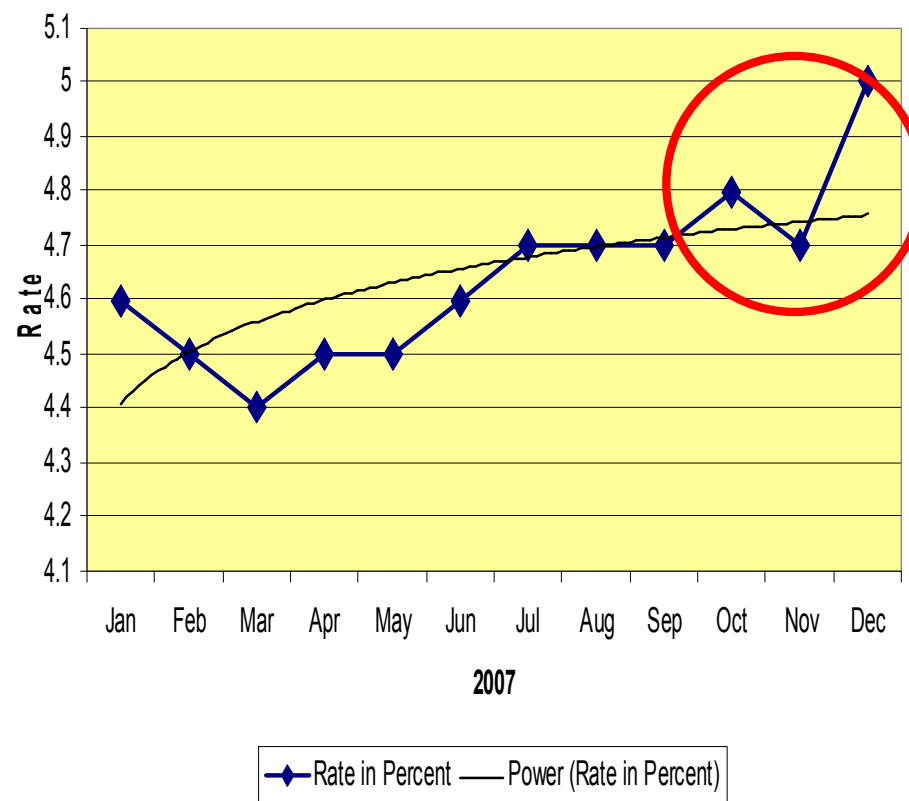


## US Economic Landscape – 2008

### Unemployment fears are growing

- > Fear of an unemployment rate rising nationally
- > Driven by fall out from the housing crisis
  - > Banking, manufacturing, and construction are/will be the hardest hit sectors
- > General uncertainty abounds, tightening previously robust consumer activity

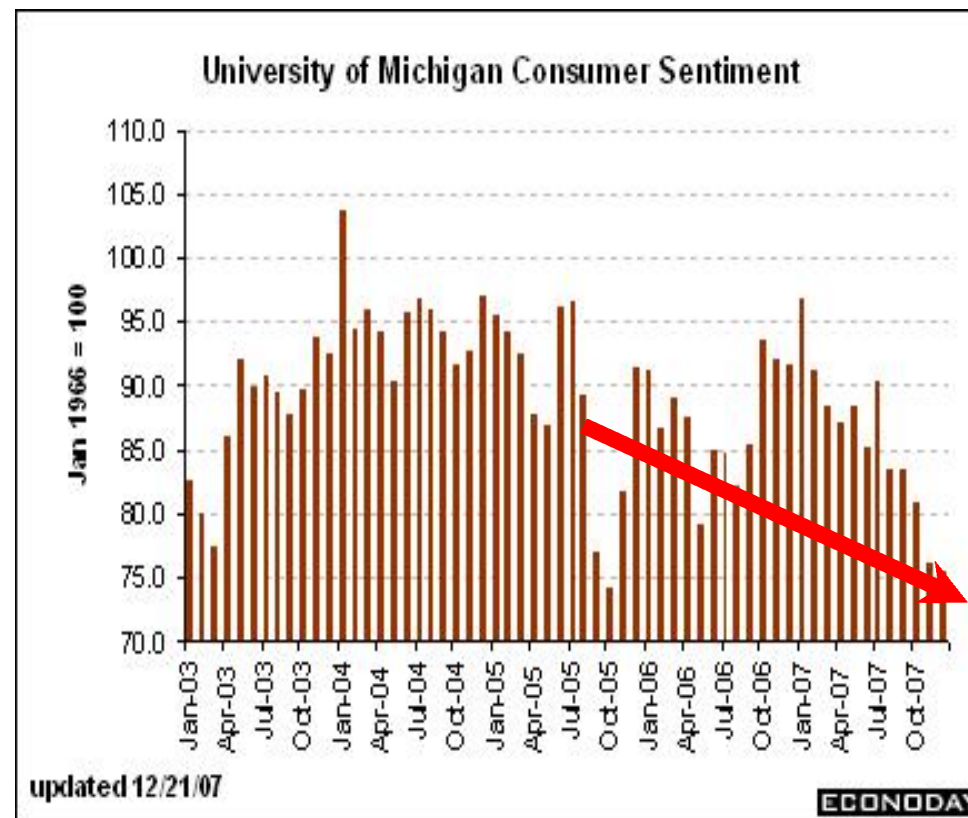
Seasonally Adjusted Unemployment - United States



# US Economic Landscape - 2008

## Consumer Confidence is being shaped negatively

- > Consumer sentiment and consumer prices
  - > Consumer spending likely to slow in the first half of 2008
  - > Inflation needs to remain anchored to ease continued slippage
  - > Consumer prices have risen in general 4.1% since 2006
  - > Increasing energy prices (gasoline and home heating) are impacting consumer spending



Are there any positives?

## US Economic Landscape - 2008

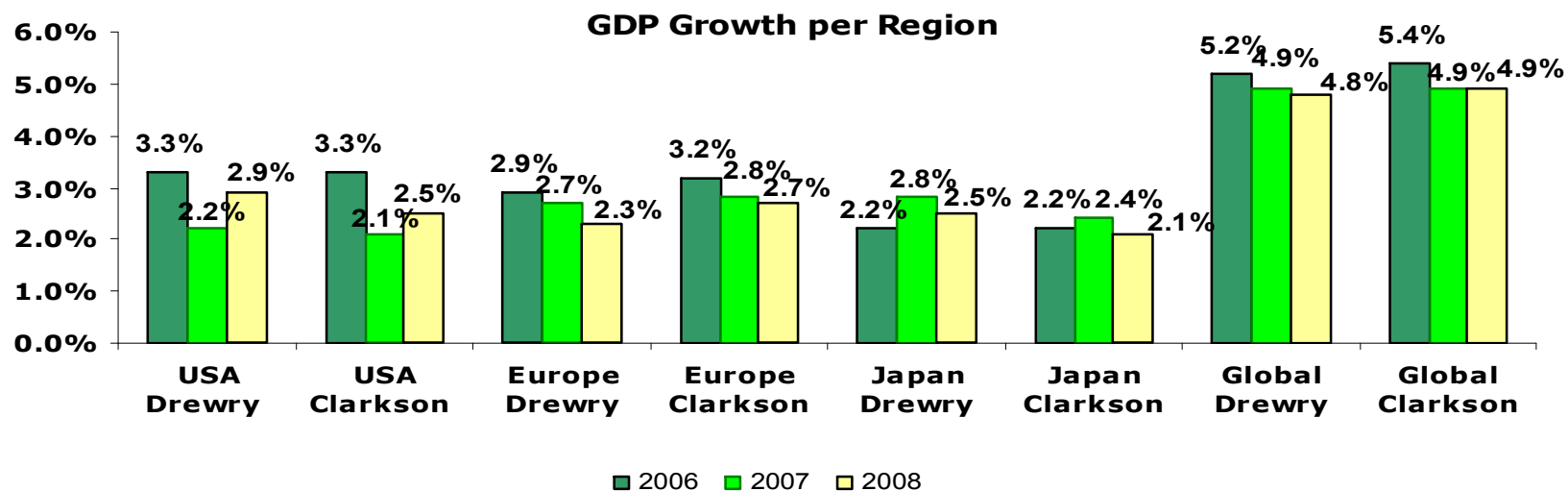
### **There is hope we can stave off a recession if. . .**

- > A determined Federal Reserve keeps economic growth going
- > Energy conservation and technology advances mitigate fuel price increases
- > Strong corporate balance sheets remain in tact
- > US Government continues spending
- > Foreign investment in the U.S. that remains strong
- > A tame core inflation rate
- > Service and other specific industries continue enjoying robust growth
- > Continued strong exports

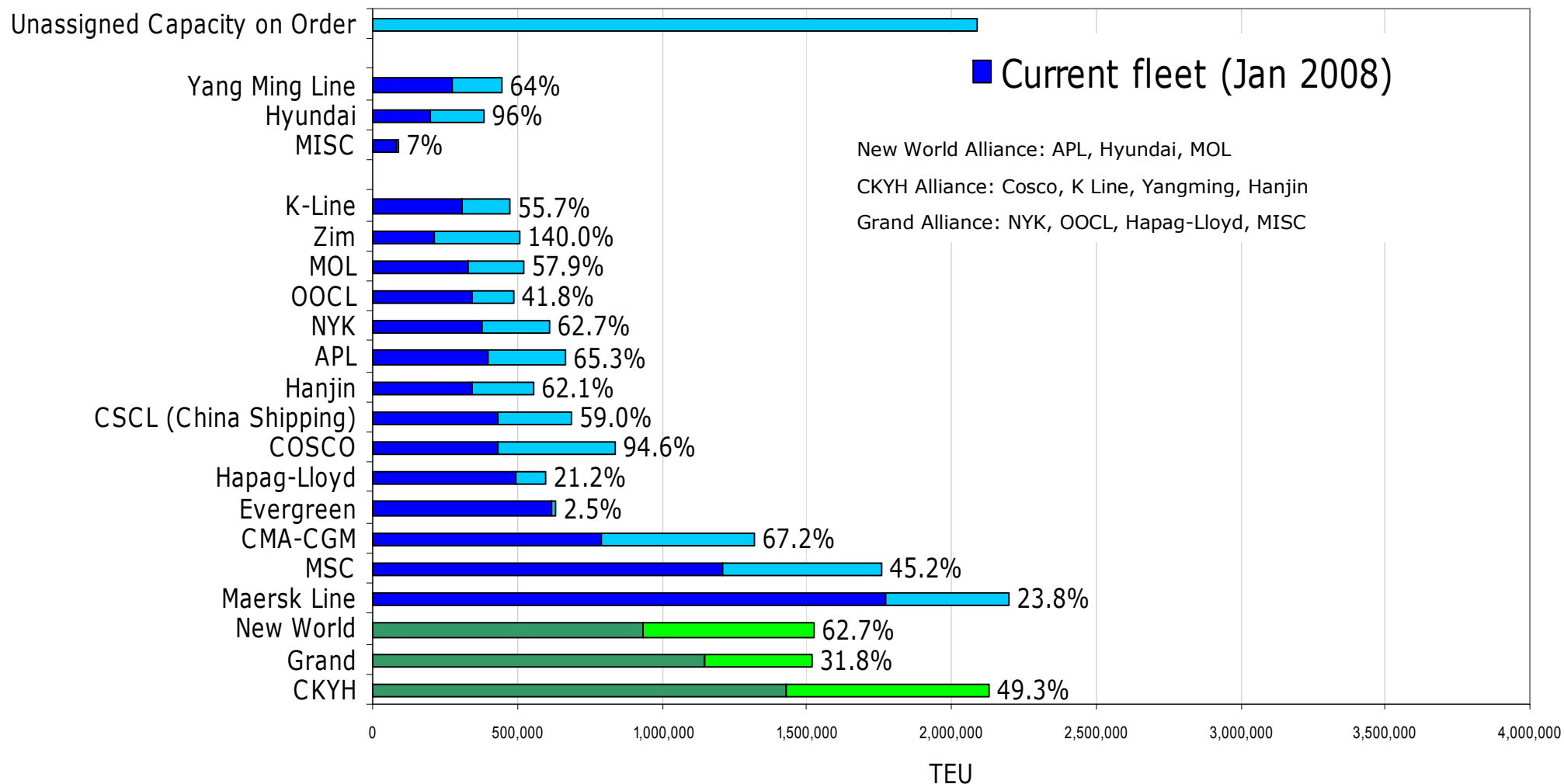


# Global Drivers

The world economy remains above long term growth levels.



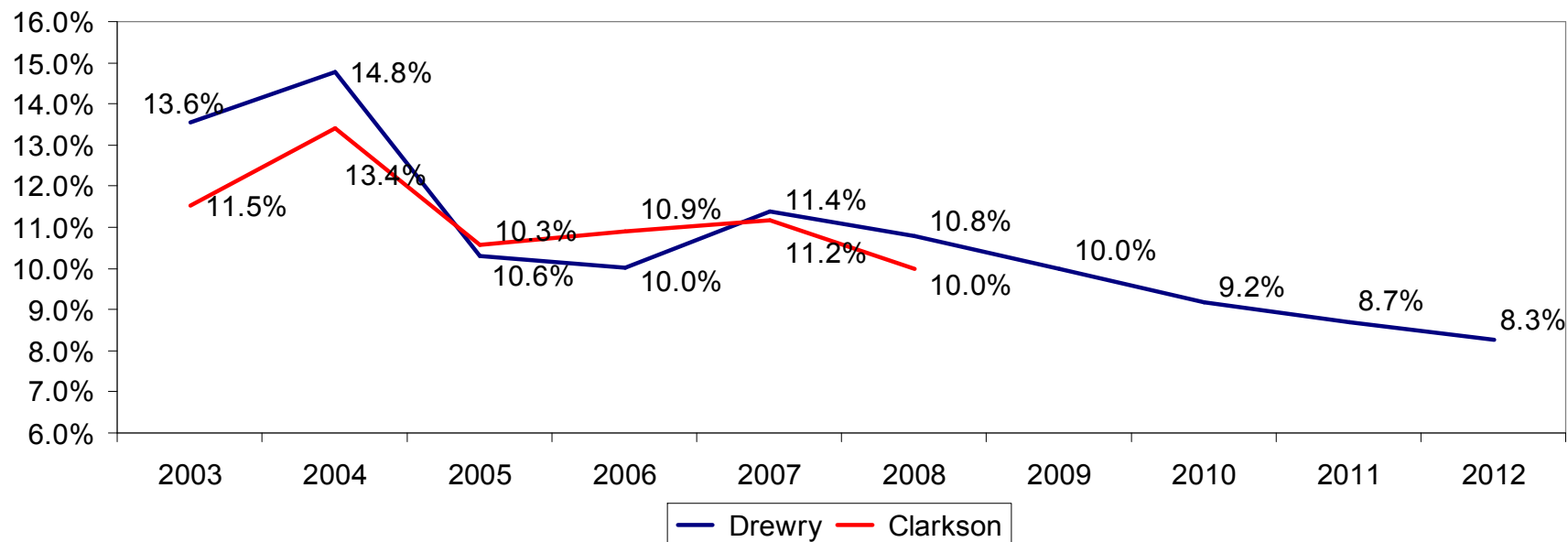
# Relative fleet size, main carriers and alliances



Source: AXS-Alphaliner, Jan 2008

The economic sustained growth is expected to result in global container trade growth of...

### Global container demand

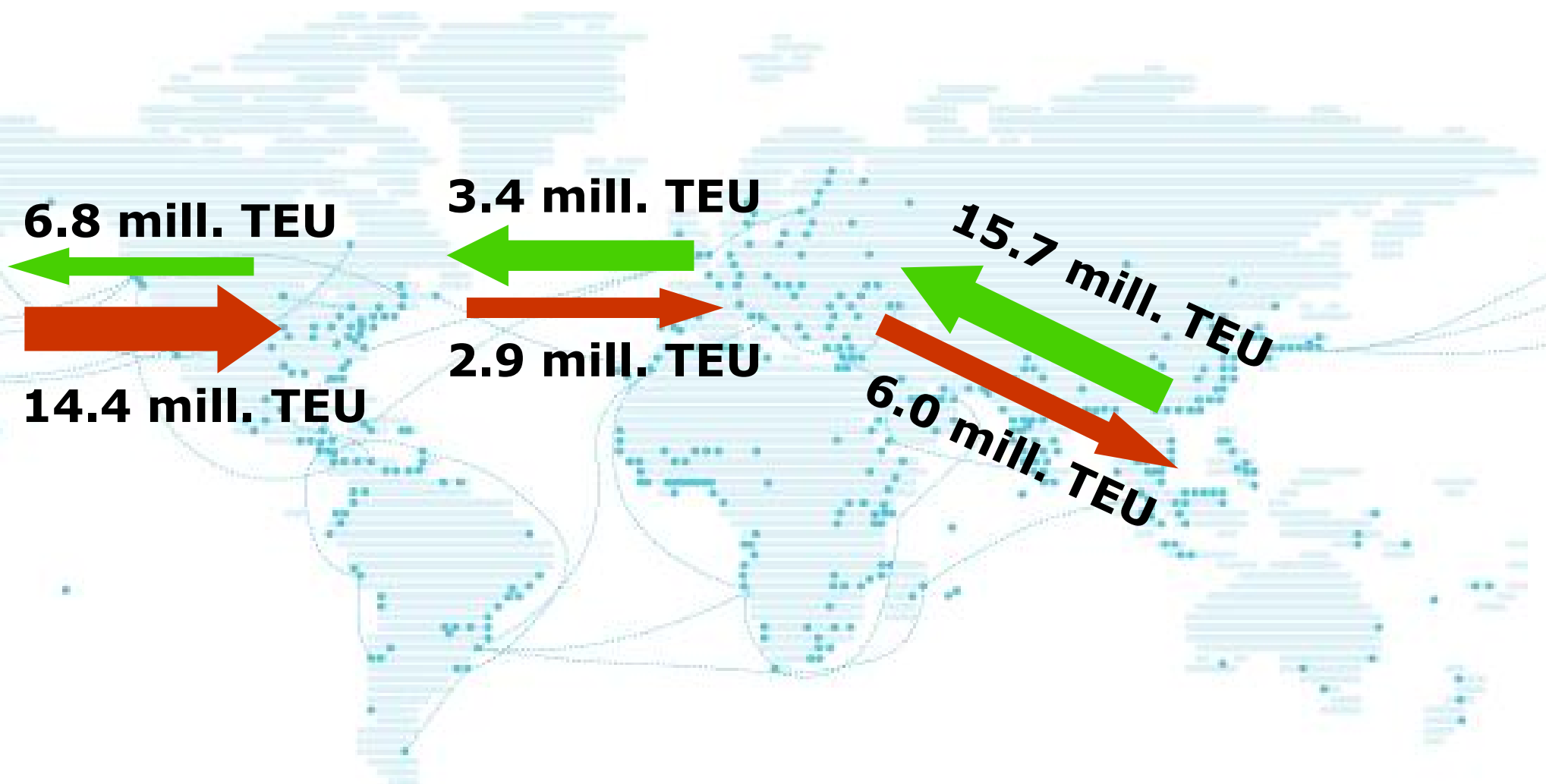


Sources: Drewry Shipping Consultants, Container Market Quarterly September 2007

Clarkson Research services, Container Intelligence Quarterly, Third Quarter 2007

- Exceptionally high growth in 2004 was followed by above average growth in 2005 and 2006. 2007 and 2008 is also expected to grow much faster than the long term average of 8.7%.

## Trade Imbalances 2008 (Estimated)



Source: Drewry Shipping Consultants, Container Market Quarterly December 2007

# North America Industry Challenges



## The Industry Today

The United States has shifted from being a major manufacturer to becoming primarily an importing country

The shift in trade growth has caused a significant trade imbalance

Basic infrastructure to handle the increasing volume is not keeping pace, and bottlenecks are increasing

Costs are rising

Rates are declining

Container movements in the United States is increasingly shifting from port to port to inland moves as shippers seek improvements in their supply chains

# The Impact of Growth

Total U.S. volume in 2010 is expected to equate  
to *237,000 more TEU's per week*

Terminal capacity will be exceeded.

More trucks will be required.

Rail system will need additional cars, engines and trackage.

Highway system will need to be expanded.

More jobs will be created.

# Port Growth versus Community concerns & Environmental issues

Antipathy towards Ports

- > Detached from community
- > International nature

Commuters competing with trucks

- > In 20 years, the number of vehicles on the roads has gone up by 80%, but road miles have only increased 1-4%.

Air Quality



**I-710 Under Normal Conditions**



**I-710 During Ports Shutdown**

The I-710, better known as the Long Beach Freeway, is a 23 mile stretch from Long Beach to Monterey Park.

## Solutions

Terminals must increase throughput, efficiency and productivity:

- > Introduce existing and new technology.
- > Reduce equipment dwell times.
- > Move empties and chassis to off-dock sites.
- > Increase storage density.
- > Reduce environmental impacts.
- > Explore “Greenfield” opportunities – Clean Air Act.
- > PierPASS OffPeak program.

# Environmental optimisation of vessels

The environmental optimisation of the vessels for all purposes is an on-going process. Among the current initiatives are:

- > Use of low-sulphur fuel in some vessels to reduce emissions
- > Double fuel tanks to protect against oil spills
- > Waste heat recovery systems that reduce fuel consumption up to 10%
- > TBT-free paint to mitigate impact on the ocean
- > Our new ship designs allow 98% of all vessel materials to be recycled

## OffPeak – A PierPASS Program

PierPASS is a not-for-profit organization created by marine terminal operators at the Los Angeles and Long Beach ports to address multi-terminal issues such as congestion, security and air quality.

OffPeak is the off-peak hours program created by PierPASS. OffPeak provides an incentive for cargo owners to move cargo at night and on weekends, in order to reduce truck traffic and pollution during peak daytime hours and to alleviate port congestion

## In Recap. . .

- > Despite economic uncertainty, trade growth continues to look robust.
- > Emerging markets will provide both challenge and opportunity for U.S. exporters and importers.
- > Infrastructure improvements will be needed to meet future growth prospects.
- > Important for us all to keep abreast of global events as the “trickle down” impacts our economy, particularly on the consumer front.
- > For educators, important to stress vocation and job opportunities in international trade. And the fundamentals . . .
- > Safety and the environment continue to take on increasing importance.
- > Lastly,

***It's freezing here. . .!***



Questions?

Thank you.....

