“Pulse of the Ports”

Long Beach March 27, 2007

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Hanjin Shipping

A complex story…….

- Cargo volume
- Available marine terminal land
- Terminal throughput
- Terminal supply & demand
- Environmental impact
- Labor practices

A complex story…….

- Community resistance
- Terminal equipment, software & ops practices

Real GDP growth & forecasts – Annual %

(Estimate)	U.S.		EU		PRC	
	2006	2007	2006	2007	2006	2007
Drewry	3.3~3.6	3.0	2.4~2.8	1.8	10.0~10.6	8.5
BOA		2.8		2.1		9.5
Citicorp		2.9		1.8		9.2
IMF		3.1		2.0		10.0
JP Morgan		2.8		2.5		9.5
Merrill Lynch		2.0		2.1		-
Morgan Stanley		3.0		1.6		8.5

THE PORT OF LONG BEACH

HANJIN SHIPPING

Trans-Pacific EB Annual Trade Volume (000 TEU)

1996	4,144
1997	4,760
1998	5,612
1999	6,327
2000	7,248
2001	7,400
2002	8,975
2003	9,864
2004	11,406
2005	12,905
2006	14,417
2007	15,854
2008	17,059

Source: Drewry

$$\frac{4,144}{14,417} = \boxed{3.5X}$$

- **2001 to 2006 Compound Annual Growth Rate: 15%**
- **2007 Growth Expected to be Approx. 10%**

There is a finite amount of West Coast terminal space

Port	Acres
Vancouver BC	369
Seattle	531
Tacoma	533
Oakland	731
Los Angeles	1,600
Long Beach	1,284
Total	**5,048**

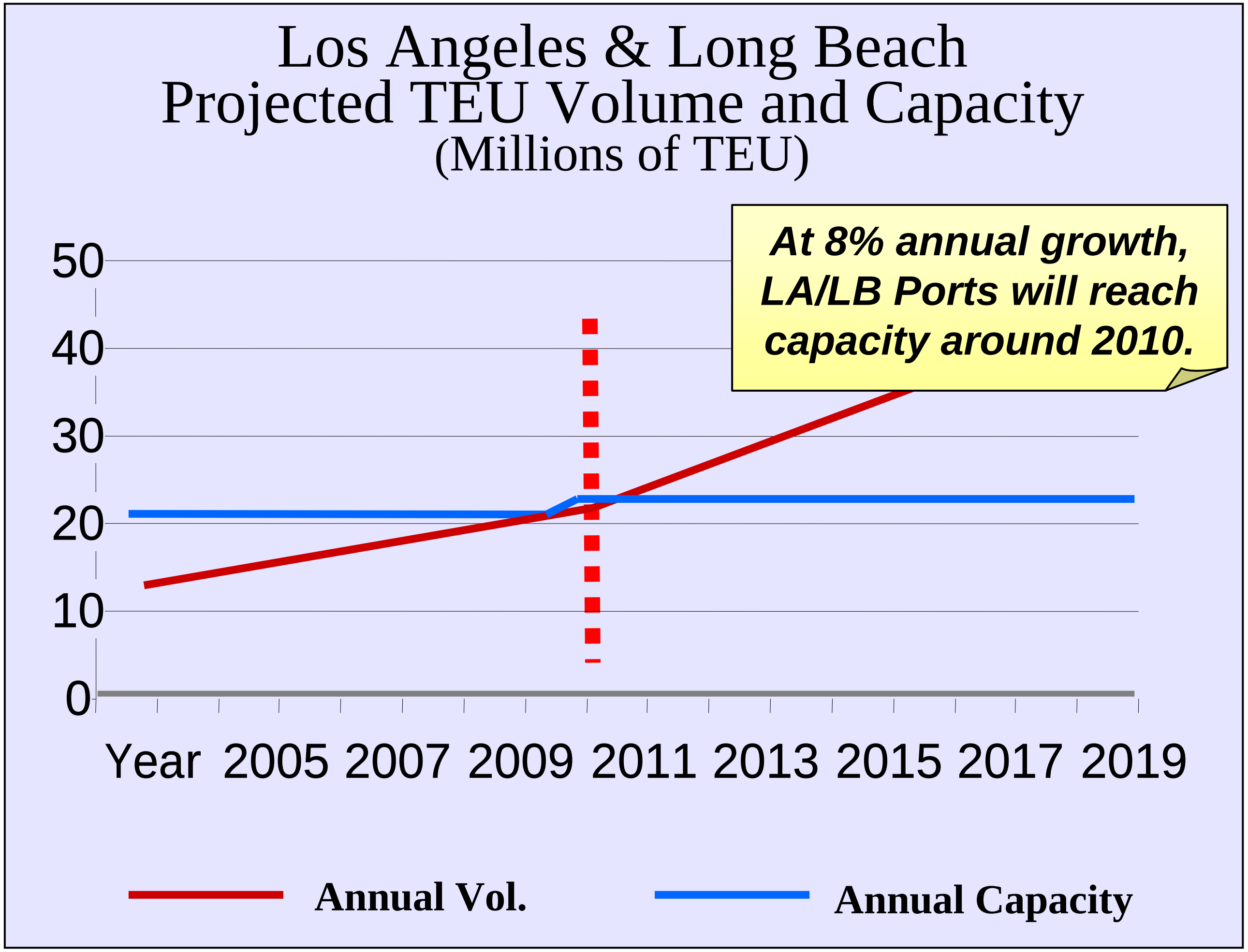
The U.S. lags other world ports

Port	Throughput/Acre (TEU)
US East Coast	2,000
US West Coast	5,000
Major World Ports	10,000 – 15,000

Southern California Terminal Capacity

Constraints on Expansion

- **Limited land availability**
- **Environmental concerns & restrictions**
- **Labor issues**
- **Technology**
- **Business practices**



Environmental Impact

- Transport activity does affect the environment
- Industry participants are responding
- Political fall-out is everywhere
- State & local entities attempting to regulate

Environmental Impact

The bottom line: Environmental concerns and regulations will significantly impact:

- **Operations**
- **Expense**
- **Ability to grow & expand**

……and these concerns need to be addressed

Labor

- 2002 negotiations & resulting technology have proved beneficial…however, more is needed
- Labor can and needs to play an important role in solving capacity issues & enabling growth
- We need agreement on operations technology to allow a min. doubling of throughput per acre
- Early settlement will help avoid a costly work disruption

Community Resistance

- A general lack of understanding?
- NIMBY and BANANA
- We have societal choices to make that require an informed and spirited nation-wide debate. We are not really having this debate

Terminal Equipment, Software & Operations

- Have a significant impact on productivity & service
- Material changes are needed
- Terminal operators, carriers, customers & labor need to be involved and accept change

Observations for 2007

- Relatively smooth operation: No melt-down
- Rail issues will remain & add “days” to transits
- Sufficient labor available
- Chassis pools need to grow
- TWIC card impact??

Observations for 2007

- Use of terminal technology needs to expand
- Use of off-dock CY's will expand
- Dwell time will remain an issue (avg. = 4.4 days)
- Vessel bunching will continue

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