

Ocean Shipping: Current & Future Perspectives



Michael Broad, President

Agenda

1. About the Federation
2. Current Environment
3. Operating in a Slow Growth Economy
4. North American Challenges

1. About the Federation

- Voice of owners, operators and agents of ships involved in Canada's world trade
- 70 members
- Representing over 250 shipping companies

Members' Business

- Members involved in all sectors of the shipping industry:
 - Dry bulk
 - Liquid bulk
 - Breakbulk, general cargo, ro-ro
 - Container
 - Cruise



Scope & Mandate

- Members trade between ports overseas and all ports across Canada
- Incorporated by Act of Parliament in 1903
- Mandate to collectively represent members before government and other stakeholders

Some of our Members .



Objectives

The Federation Works in support of a marine transportation system that is:

Safe

Efficient

Competitive

Environmentally
Responsible

2. The Current Environment

West Coast Container Volumes Drop 4 Percent

Container, Breakbulk Volumes Surge at Tacoma

Drewry Questions Whether Rate Increases Will Hold

Rate Hikes Stick, but Carrier Profits Shaky, Drewry Says

Rate Hikes Push Asia-Europe Carriers Back to Profitability

Freight Growth Sluggish, OECD Says

Spot Rates Ease in Asia-Europe Trade

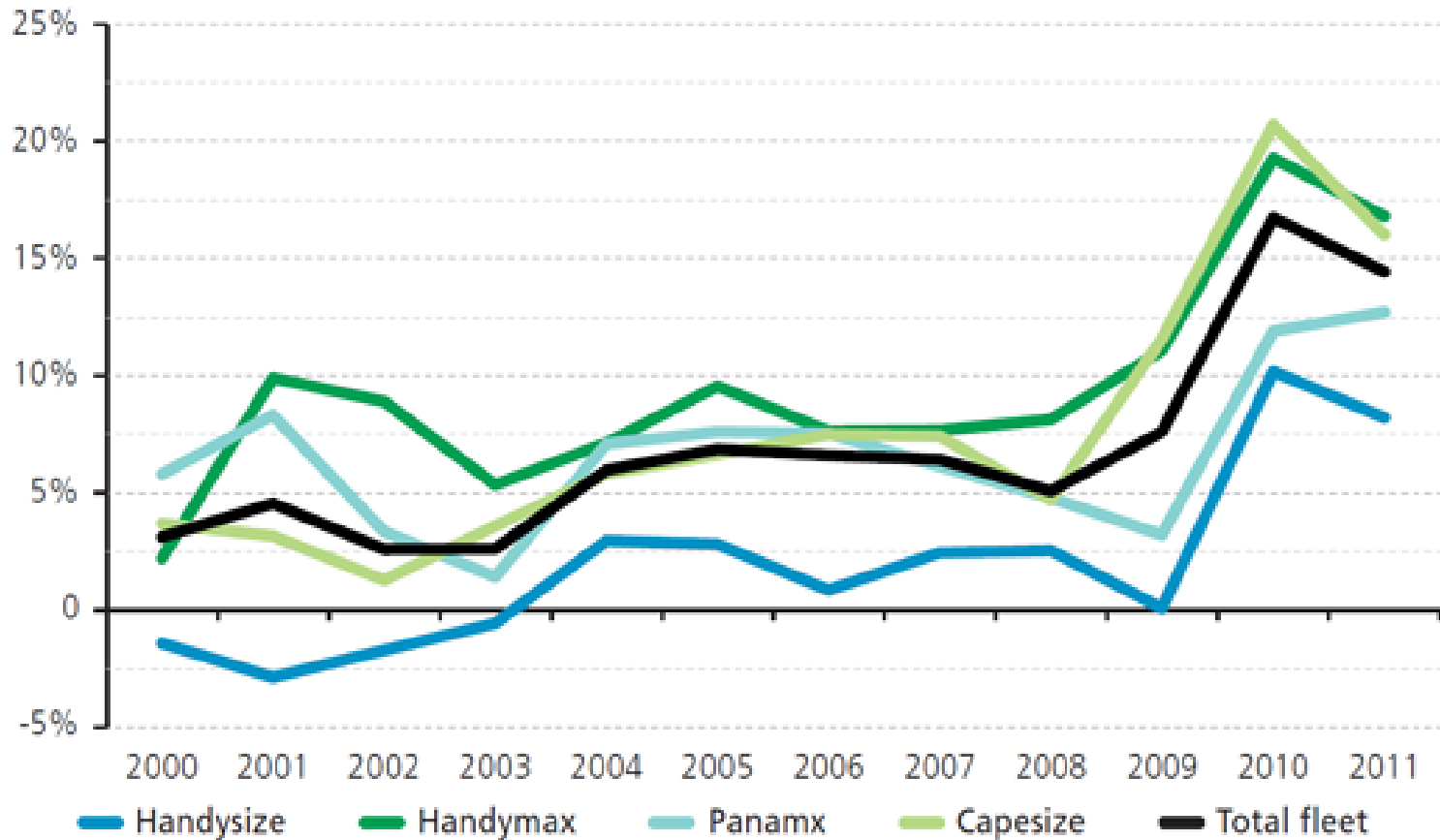
Asia-Europe Freight Rates Jump 28 Percent

Asia-Europe Spot Rates Skyrocket 114 Percent

Main Issues & Challenges

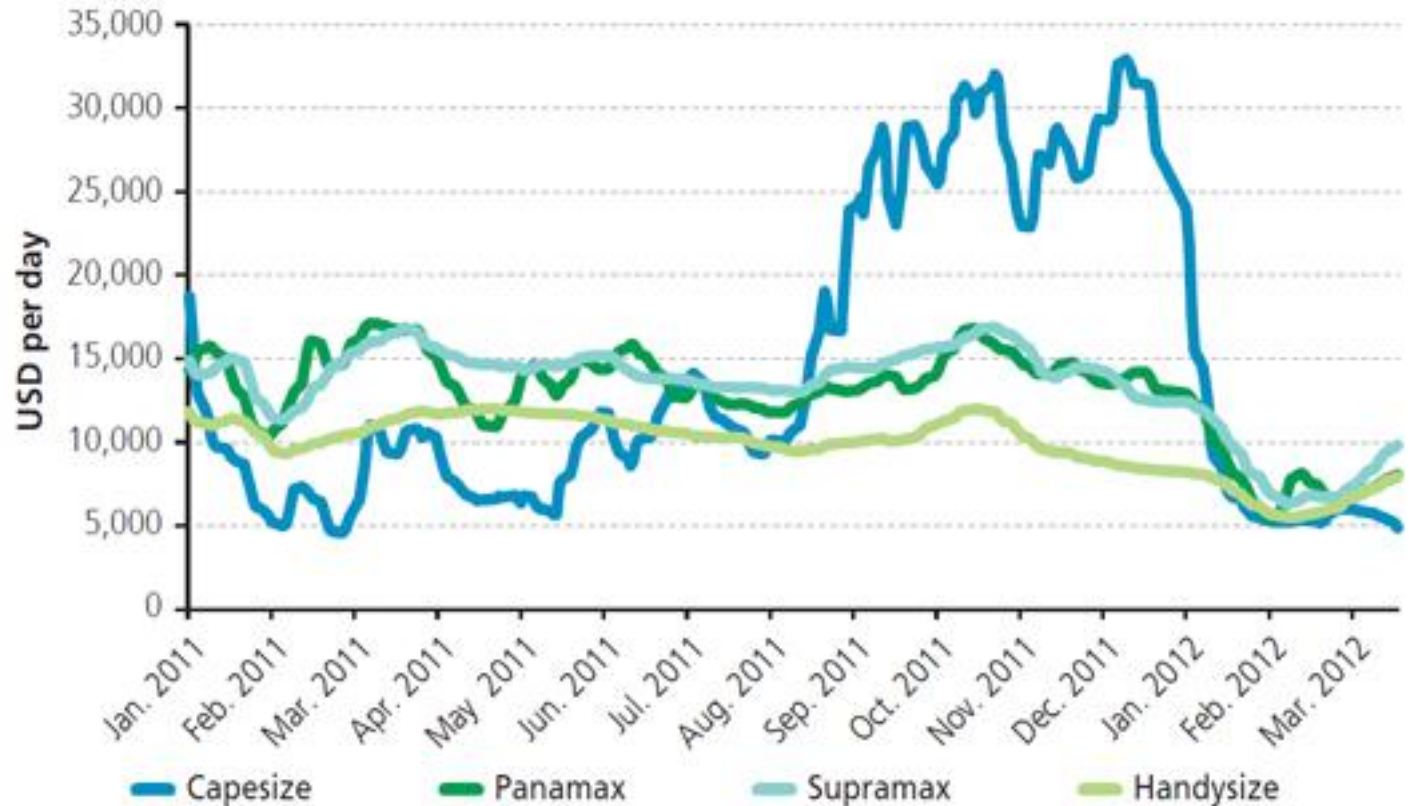
- Oversupply of ships
- High fuel costs
- Falling freight rates
- Lack of available financing/tight bank lending

Supply Growth in Segments & Total Fleet



Source: BIMCO, IHS Fairplay

Average Time Charter Rates 2011-2012



Source: BIMCO, Baltic Exchange

Capesize Vessel Costs

- Operating costs (crew, insurance, spares, food, etc.): **\$8,500/day**
- Cap ex (financing costs): **\$10,000/day**
- Fuel : 60 tons per day: **\$44,400/day**
- Total Cost: **\$62,900/day**

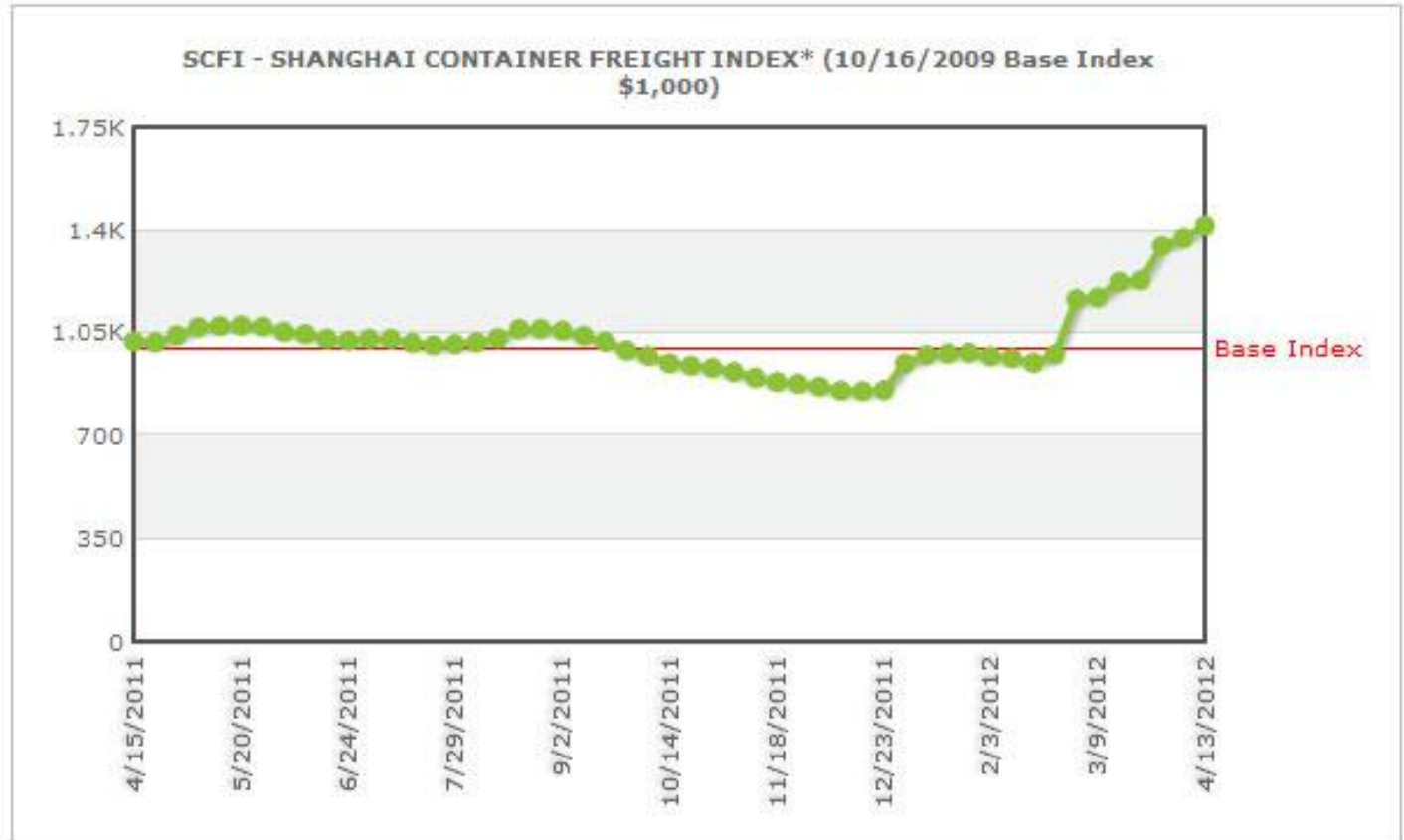
Container Supply Growth



Source: BIMCO, CRSL

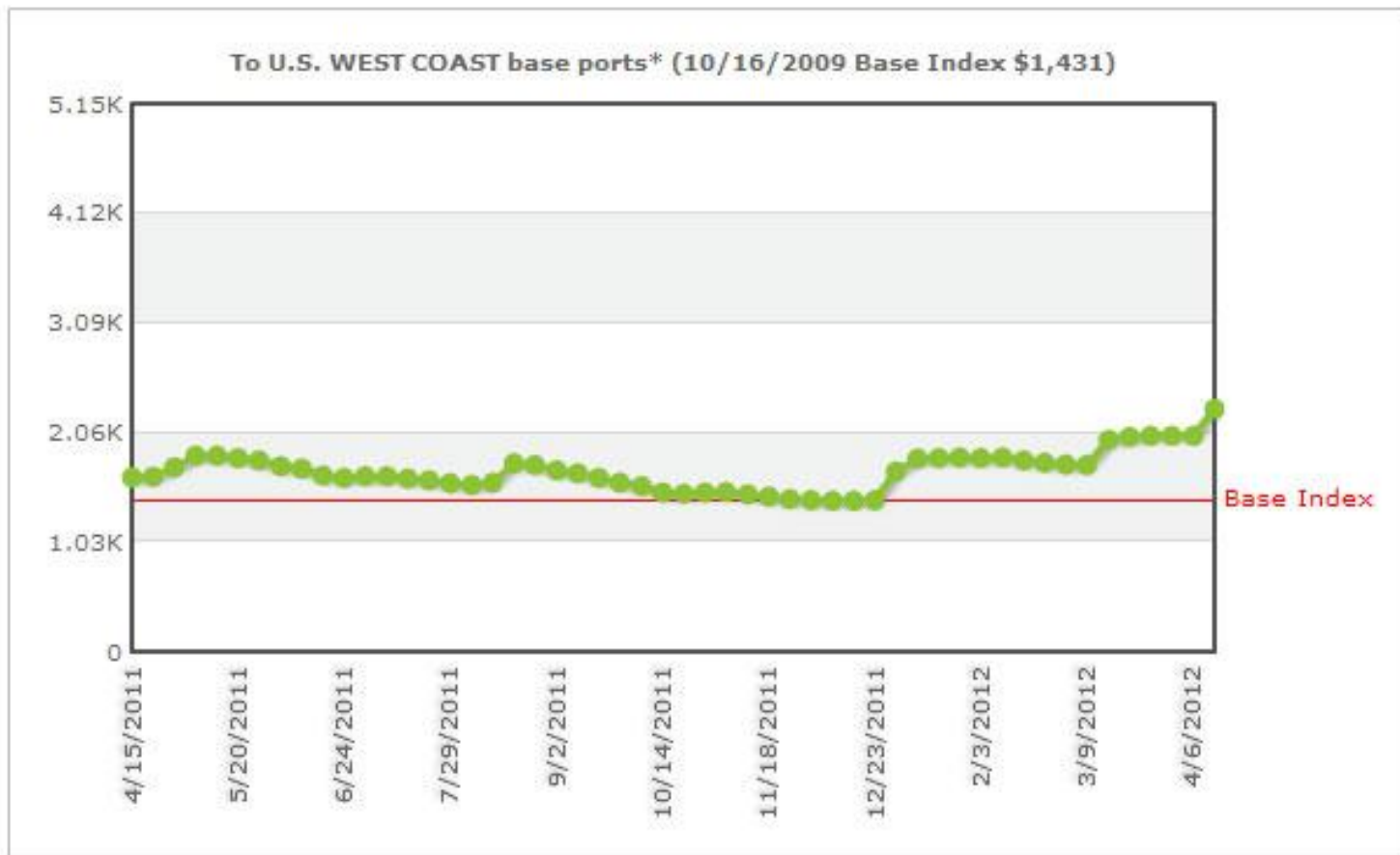
A is actual. F is forecast. E is estimate which will change if new orders are placed. The supply growth for 2012-2015 contains existing orders only and is estimated under the assumptions that the scheduled deliveries fall short by 10% due to various reasons and 10% of the remaining vessels on order are delayed/postponed. Scrapping of all vessels aged 30 or above before the end of 2014 is assumed.

Shanghai Container Freight Index



Source: Shanghai Shipping Exchange, <http://en.chineseshipping.com.cn/html/scfi.asp>

To U.S. West Coast Base Ports



Source: Shanghai Shipping Exchange, <http://en.chineseshipping.com.cn/html/scfi.asp>

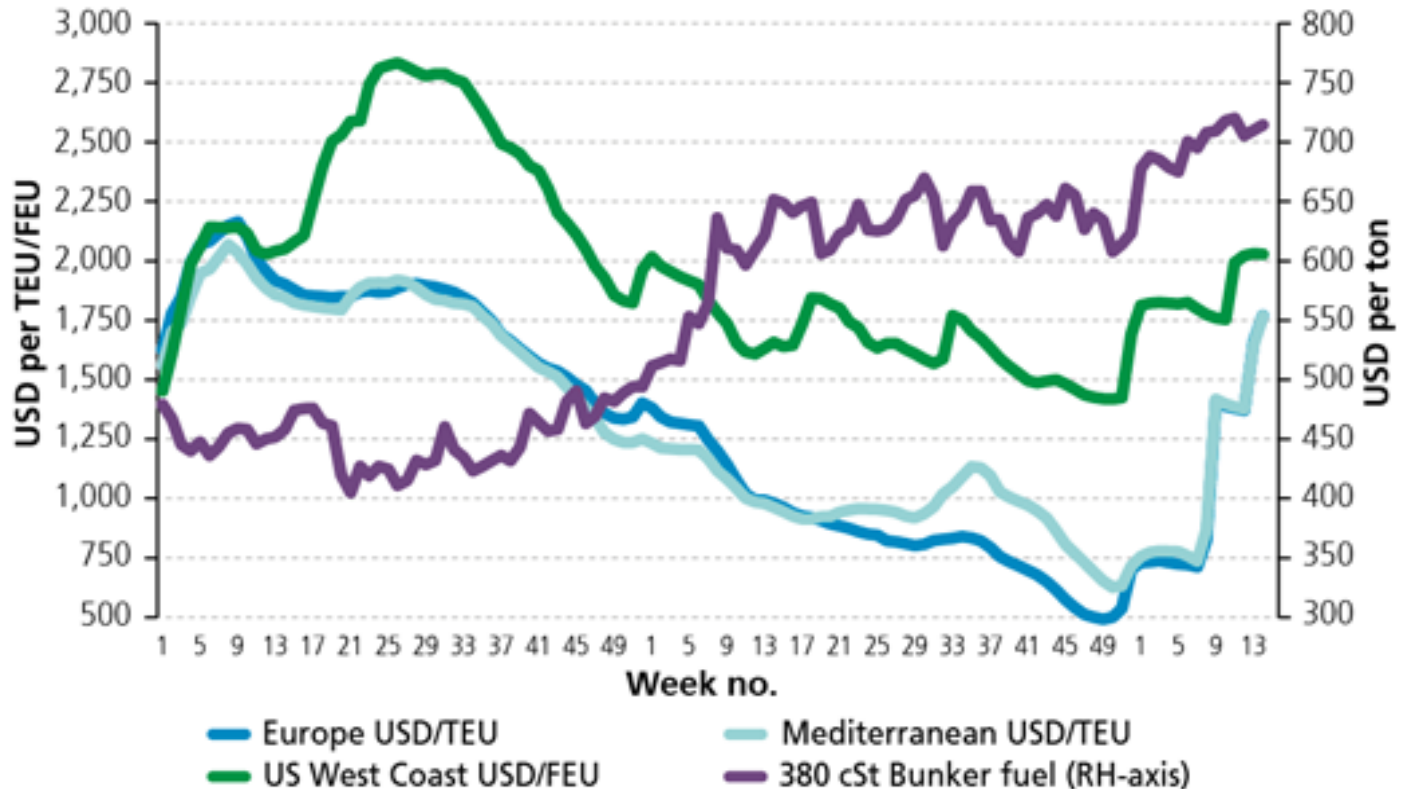
To Europe Base Ports



Source: Shanghai Shipping Exchange, <http://en.chineseshipping.com.cn/html/scfi.asp>

Shanghai Containerized Freight Index

2011-2012 & Bunker Fuel Prices



Source: BIMCO, Shanghai Shipping Exchange, Marine Bunker Exchange

3. Operating in a Slow Growth Economy

- Slow Steaming
- Scrapping
- Vessel Lay-up/Delayed Delivery
- Industry Consolidation
- Rate Initiatives

Slow Steaming

- Fuel Savings
- Capacity Reduction
- Environmental Benefits

Scrapping

- Average Fleet Age
 - Container < 5 yrs
 - Dry Bulk 11 yrs
 - Tanker 9 yrs

Lay-up / Delay Delivery

- Container Sector
- Costly
- Await Market Turnaround

Consolidation

- MSC + CMA-CGM
- G6 = Grand Alliance + New World Alliance
- Evergreen + CKYH

Increase Freight Rates

- DUH!!
- Only unregulated part of shipping.
- Dad's Quote
- Dire Situation

Lack of Financing

- European Banks/Sovereign Debt
- Ship Values
- Tight Lending

4. North American Challenges

- ECA Implementation
- Ballast Water
- Rail Service
- Coasting Trade Act

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