



The Propeller Club
of the United States

PORT OF LOS ANGELES - LONG BEACH

The Propeller Club of Los Angeles & Long Beach

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Hyundai Merchant Marine



- **Founded: March 25, 1976**
- **Global Transportation & Logistics**
- **Employees: 4,000**
- **Headquarters: Seoul, South Korea**
America: Dallas, TX
- **Fleet: 127 Vessels**
 - Container, Bulker, Tanker
- **120 Offices Covering 103 Ports**
- **Alliance: G6**
- **16th Largest Container Carrier**
- **Terminals: WUT (WA) & CUT (CA)**



Disclaimer: This presentation material and accompanying comments are those of 2 the presenter and not necessarily indicative of the views of HMM.





2015 Key Industry Events



1. Mega Ships => Overcapacity



2. Intermodal Complexity => On Dock & Blocks



3. Cargo Volumes Pre-Rec => Infrastructure



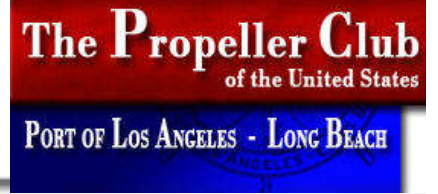
4. Truck Capacity Shortages => Velocity



5. Chassis Model Change => IEP Control



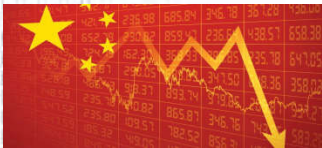
2015 Key Industry Events



6. WCO Labor Disruption => Congestion



7. Fuel Prices Down => Pos. & Neg.



8. Chinese Economic Slow Down



9. Trans-Pacific Partnership Agreement

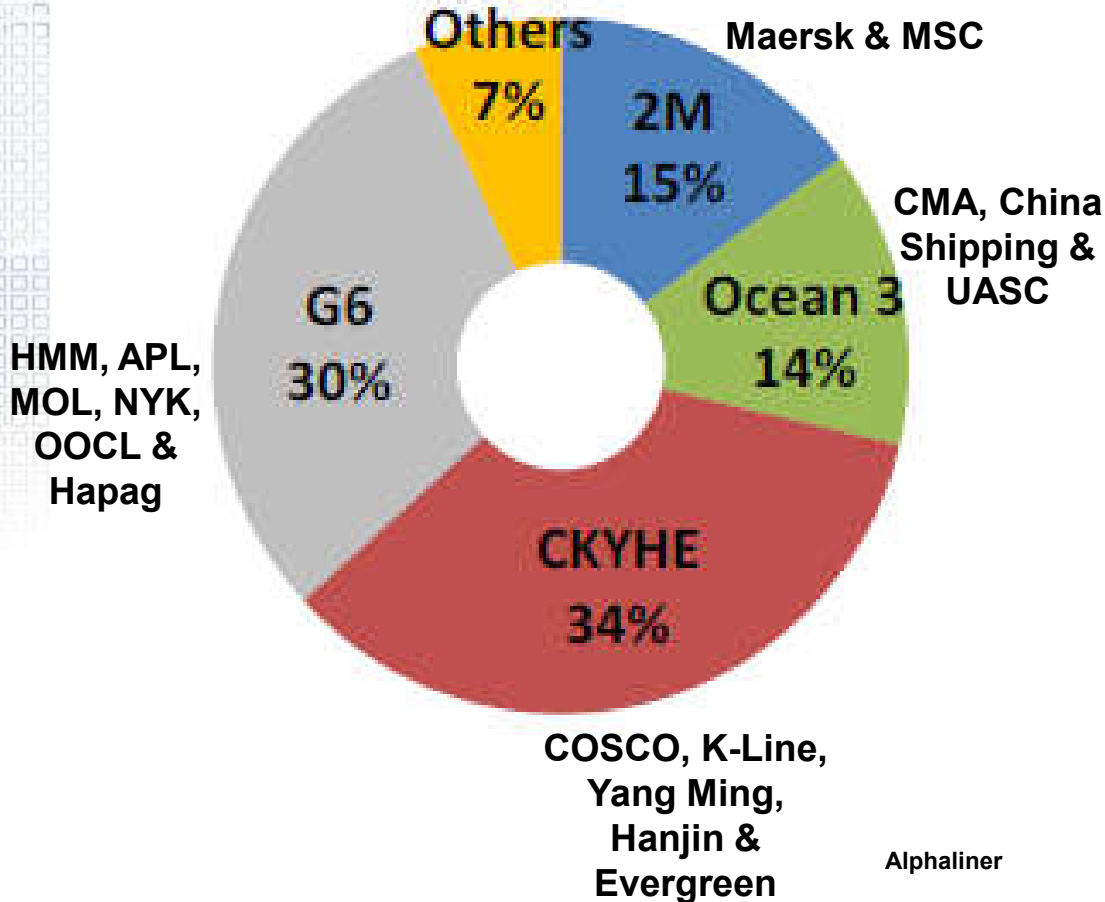


10. Logistics Mergers & Acquisitions

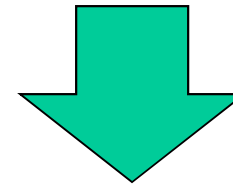


Mega Ships => Mega Alliances

FE-N America Capacity Share by Alliance



- 16 Carriers – 93%



- 4 Mega Alliances
 - Same Departures Day
 - Same Arrival Day
 - Same Transit Times
 - Commoditization

- **How To Differentiate?**

- Rate Reductions
- Redefine Service





Congestion Was Inevitable

- **2002-2006 Industry Headlines Warning about U.S. Infrastructure Ability to Handle Double Digit Growth “China Can Pitch More Than U.S. Can Catch”**
- **Congestion Would Have Happened Sooner if Not for the Great Recession Reducing Cargo Volumes**
- **25 Years Ago the U.S. Had the Most Advanced Transportation Network in the World (Ports, Terminals, Roads, Rail, Bridges, etc.)**
- **But Did not Keep Pace With Growth!**
- **Now Cargo Volumes are Approaching Pre-Recession Levels & Same Old Problems Are Re-surfacing**
- **U.S. Should Have Addressed Infrastructure Warnings That Surfaced 10+ Years Ago**
- **Congestion Should Come As No Surprise**



Are Mega Ships To Blame?

- **Short Answer is “No”**
- **Increased Cargo Volume Is the Primary Driver**
- **Container Capacity Had to Increase**
 - **More Smaller Vessels vs. Fewer Larger Vessels**
 - **Smaller Vessels Would Have Driven Rates Up**
 - **Shipside Economies of Scale and Alliance Rationalization Savings Have Kept Rates Down**
- **Cargo Volume Burden has Been Shifted to Landside Operations and Infrastructure**
 - **Grounded Terminal Operations**
 - **Increased Densification – Good (Rail) & Bad (Local)**
 - **Automation Limitations**
 - **1st or Last Mile In Supply Chain**



What Is Ahead In 2016?

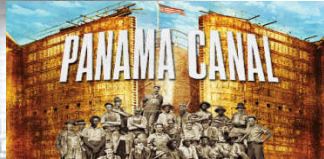
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2016 Key Industry Events



1. Panama Canal Expansion => April?



2. IMO SOLAS Container Weights => July



3. Mergers & Acquisitions => Alliance Impact



4. Automated Commercial Environment => Feb



5. Grounded Ops => Terminal Automation



2016 Key Industry Events



6. Reduced Overcapacity Trend



7. ILWU OCU Contract Expires – 6/30/16



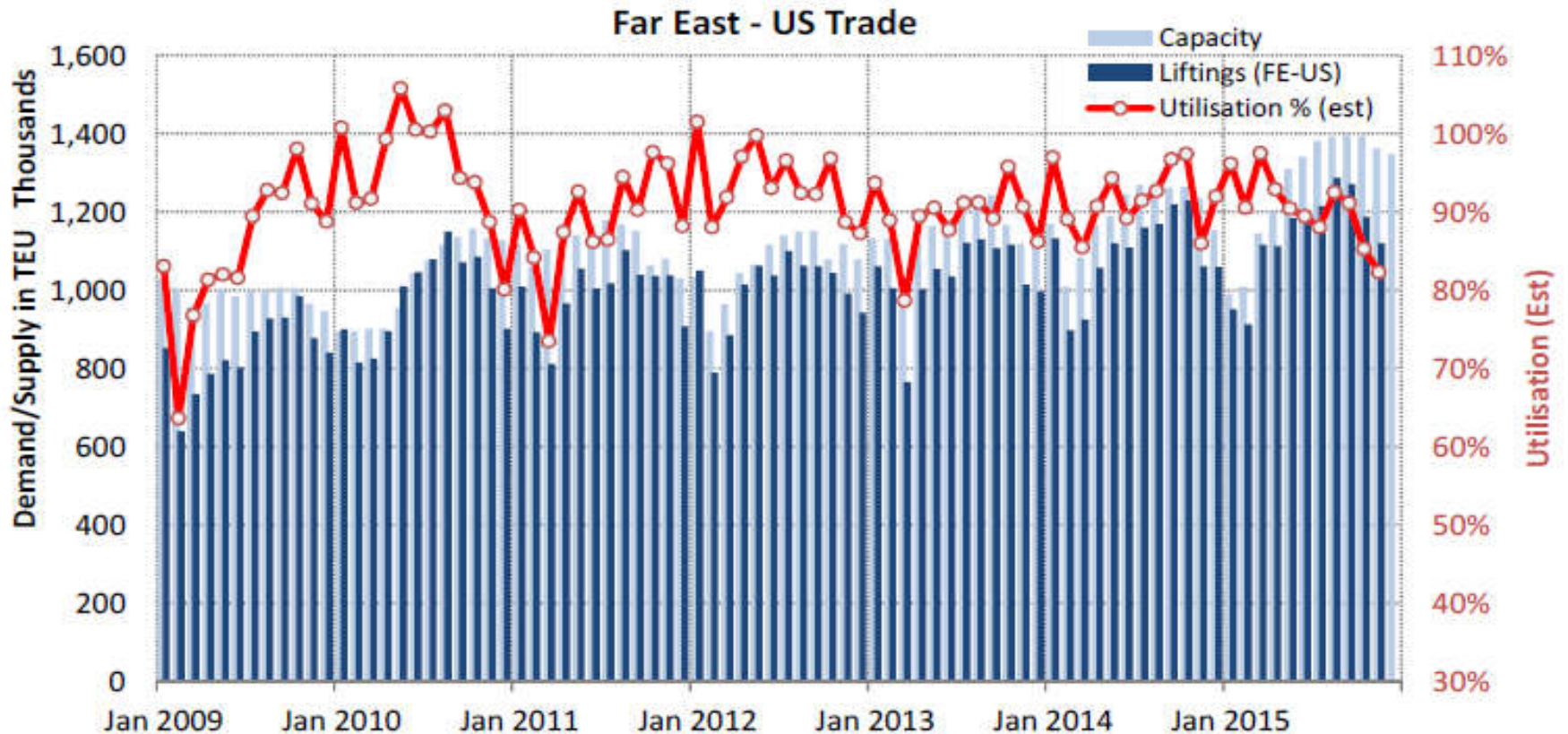
8. Moderate Ocean Rate Recovery



9. Continued Carrier Financial Stress



Emerging Trends – Vsl Utilizations



Trade utilization based on reported liftings/trade capacity deployed adjusted for non-scope allocation (based on Alphaliner estimates)

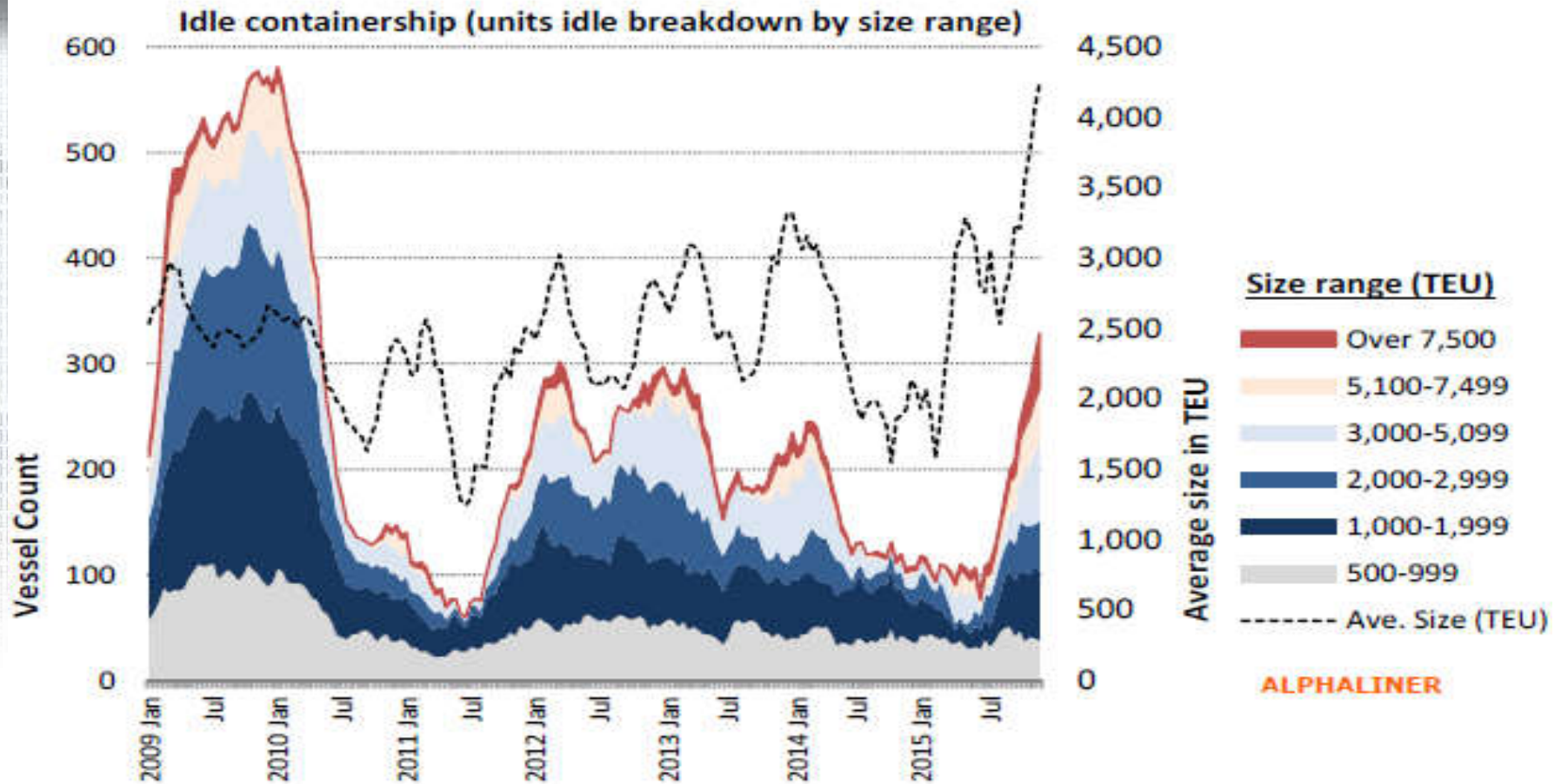
Trade demand data for FE-US is derived from PIERS (based on discharge date)

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‘14 vs. ‘15 YOY Import Growth of +3.9%
Overcapacity Expected to Continue



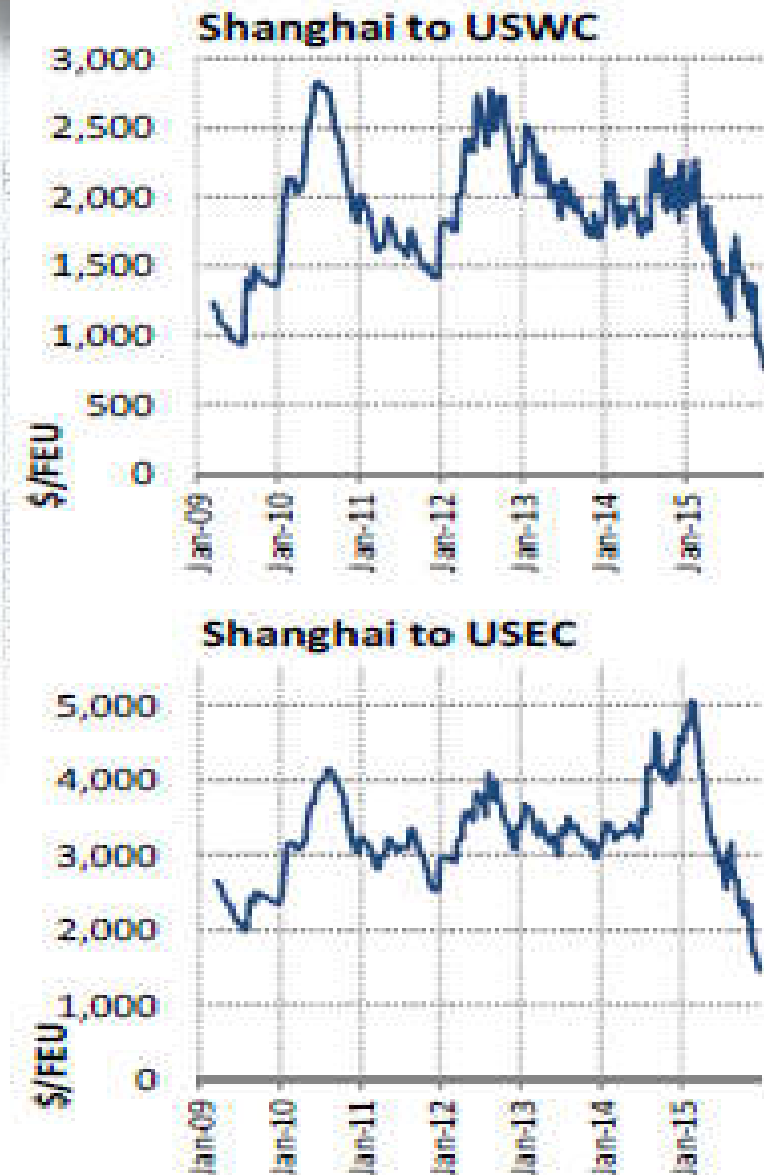
Emerging Trends 2016-Idle Fleet



**Idle Containership Fleet Rising
Highest Level Since Great Recession in '09
Align Supply with Demand**



Emerging Trends in 2016-Rates



- ❖ Short Term Spot Market Rates vs. Long Term Contract Rates
- ❖ Vessel Supply > Market Demand
- ❖ Spot Market Ocean Freight Rates In Steep Decline
- ❖ Spot Rate Levels Lower Than During Great Recession
- ❖ Little Room for Further Erosion
- ❖ Rate Levels are Not Sustainable

Source: Alphaliner SCFI



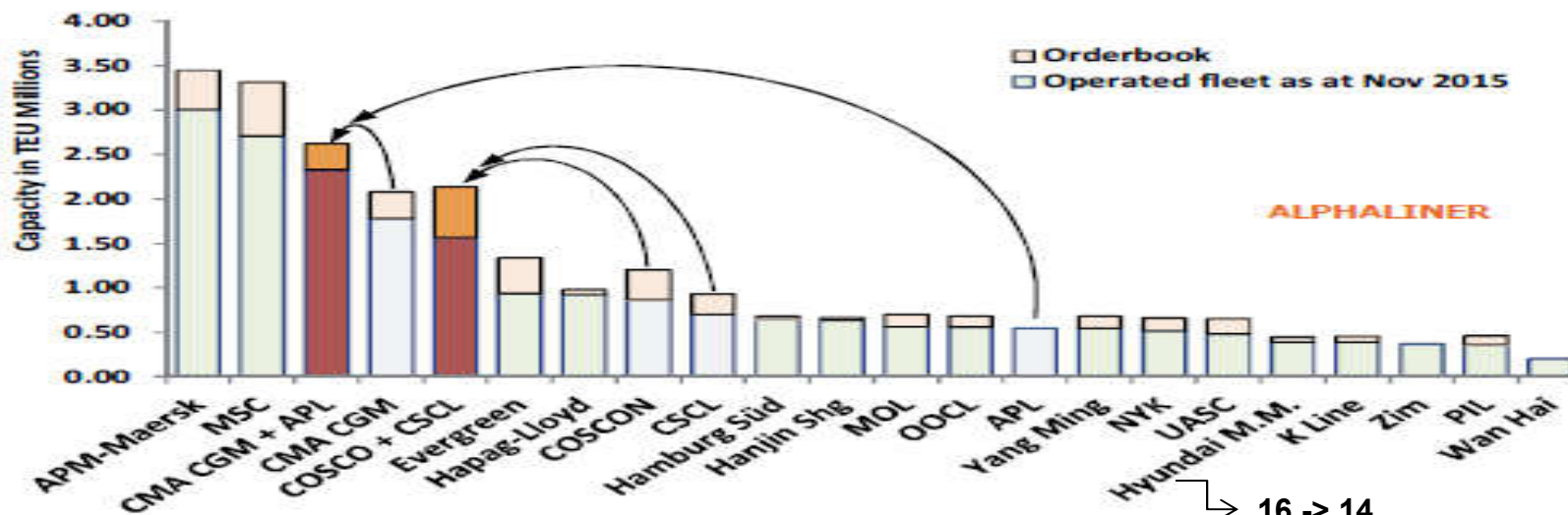
Emerging Trends in 2016-M&A

Industry Mergers & Acquisitions – Alliance Reshuffling

Ten largest liner acquisitions



Top 20 Carriers : How would the combined CMA CGM/APL fleet stack up?



16 -> 14



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Q & A

Thank You

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