Cargo in and out of China

Michael Zankel

CEO Asia Pacific

cargo-partner Logistics Ltd.

From Vienna/CEE to HKG/China

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- **Parallels vs. Opposites**
- **Market vs. Political Development**
- **History vs. Future**
- **Change of the Role of the Hub**

End of the Seasons?

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- **The Classical Seasons of Freight**
- **Impact of the Downturn**
- **The Artificial Correction**

Modes of Transport

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- **Air Cargo**
- **Sea Cargo**
- **Rail**
- **Multimodal**

Air Cargo
in and out of China

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- **The Airline Industry - Challenges**
- **Routes and Capacity Austria - China**
- **Fuel and other Minor Cost**

The Airline Industry - Challenges

- Expected global decline by 20% in 2009 (first half 28%)
- Loss of shippers of sea freight (35% of its trade account IFW)
- Inventory velocity less important than lower transport cost
- A large number of freighters grounded (LH: 4 from 19MD-11)
- Capacity cut combined with rate increase (LH: 25%)
- Airfreight still dominated by opportunity cost inherent in belly-freight capacity of what is perceived as an industry driven by passenger revenue

Routes and Capacity Austria - China

West Europe Hubs

Frankfurt
Amsterdam
Luxemburg etc.

Vienna

Freighters:
Korean Airlines
Asiana (Korea)
Jade Cargo
Air China (Sept)

Budapest

Cargolux

Fuel and other Minor Cost

- Traditional rate structure in currency amount/kg
- 1 cbm/167 kg
- 2008: Surcharges reached 5 times the rate of airfreight Vienna-Hong Kong Euro0.25/kg plus 1.05 plus 0.15
- Surcharges have become an imminent and substantial part of calculations (non-negotiable and non-commissionable)

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Sea Cargo in and out of China

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- Struggle for Survival – The Liners
- Routes China - Austria
- FCL/LCL
- The Battle of Port Statistics

Struggle for Survival – The Liners

2008 End of the European Conference

2008 Begin of the economical meltdown

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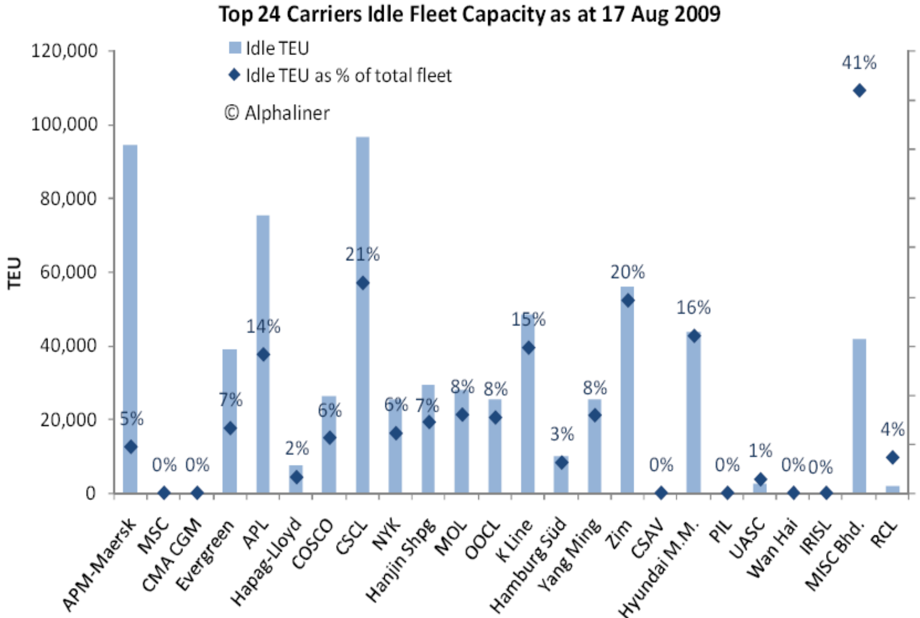
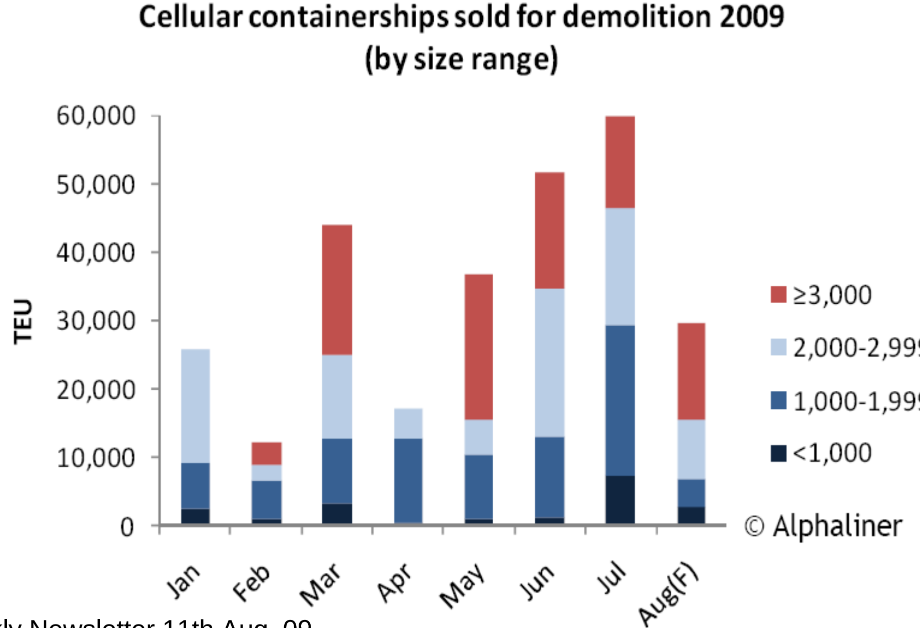




Source: Alphaliner Weekly Newsletter 11th Aug 09

Over Supply : Scrapping reaches new heights as idle fleet grows

Struggle for Survival – The Liners

Less demand : Trade volumes decrease

Europe - Asia	Trade Volumes Estimated TEU Dry & Reefer 2009					
	Westbound			Eastbound		
	2008	2009	% Change	2008	2009	% Change
January	1,235,700	1,018,749	-18	390,780	310,437	-21
February	924,119	618,311	-33	453,099	358,805	-21
March	1,165,712	957,296	-18	482,623	451,149	-7
Q1	**3,325,531**	**2,594,356**	**-22**	**1,326,502**	**1,120,391**	**-16**
April	1,170,310	883,649	-24	490,933	438,730	-11
May	1,170,248	938,394	-20	462,120	497,964	8
June	1,212,496	960,995	-21	491,633	480,971	-2
Q2	**3,553,054**	**2,783,038**	**-22**	**1,444,686**	**1,417,665**	**-2**

Source : ELAA

Top 20 ports volumes fell by 15.5% in first 6 months, 2009

Rank (Change)	Port	1H 2009 TEU	Growth vs 1H08
1 (-/-)	Singapore	12,299,000	-18.1%
2 (-/-)	Shanghai	11,662,200	-15.6%
3 (-/-)	Hong Kong	9,938,000	-17.3%
4 (-/-)	Shenzhen	8,039,500	-21.1%
5 (+1)	Busan	5,616,193	-17.8%
6 (-1)	LA/LB	5,519,109	-21.0%
7 (-/-)	Dubai [1]	5,400,000	-7.0%
8 (+3)	Qingdao	5,099,900	2.0%
9 (-/-)	Guangzhou	5,098,500	-14.5%
10 (-2)	Ningbo	4,656,400	-11.0%
11 (-1)	Rotterdam	4,607,777	-15.1%
12 (+3)	Tianjin	4,160,900	1.9%
13 (-/-)	Kaohsiung	4,048,860	-18.7%
14 (-/-)	Antwerp	3,615,386	-18.5%
15 (-3)	Hamburg	3,600,000	-28.7%
16 (-/-)	Port Kelang	3,330,351	-15.4%
17 (-/-)	Tanjung Pelepas	2,729,117	-2.5%
18 (+1)	Laem Chabang	2,162,092	-16.6%
19 (-1)	Bremerhaven	2,133,203	-20.8%
20 (+1)	Xiamen	2,121,700	-14.0%

[1] Dubai volumes include Fujairah and Mina Zayed.

Source: Alphaliner Weekly Newsletter 1st Sept 09

Struggle for Survival – The Liners

A huge gap of the imbalance of supply & demand

To Europe	Growth '09/'08	1H09 TEU	1H08 TEU
Far East	-22%	5,377	6,879
North America	-20%	1,333	1,660
Australasia	-7%	109	118
Middle East/ISC	-11%	728	814
Africa, Sub Saharan	-4%	513	535
Latin America	-12%	752	860
EastMed-N.Europe*	0%	300	299

From Europe	Growth '09/'08	1H09 TEU	1H08 TEU
Far East	-8%	2,538	2,771
North America	-32%	1,206	1,779
Australasia	-22%	166	210
Middle East/ISC	-5%	1,143	1,199
Africa, Sub Saharan	-3%	883	907
Latin America	-27%	409	559
EastMed-N.Europe*	-5%	403	425

(1,000 TEU) Source: Dynaliners 21st Aug 2009

First half financial round up

AP Moller/Maersk Group
H1 2009 : US$540m net loss
H1 2008 : US$2.46bn net profit

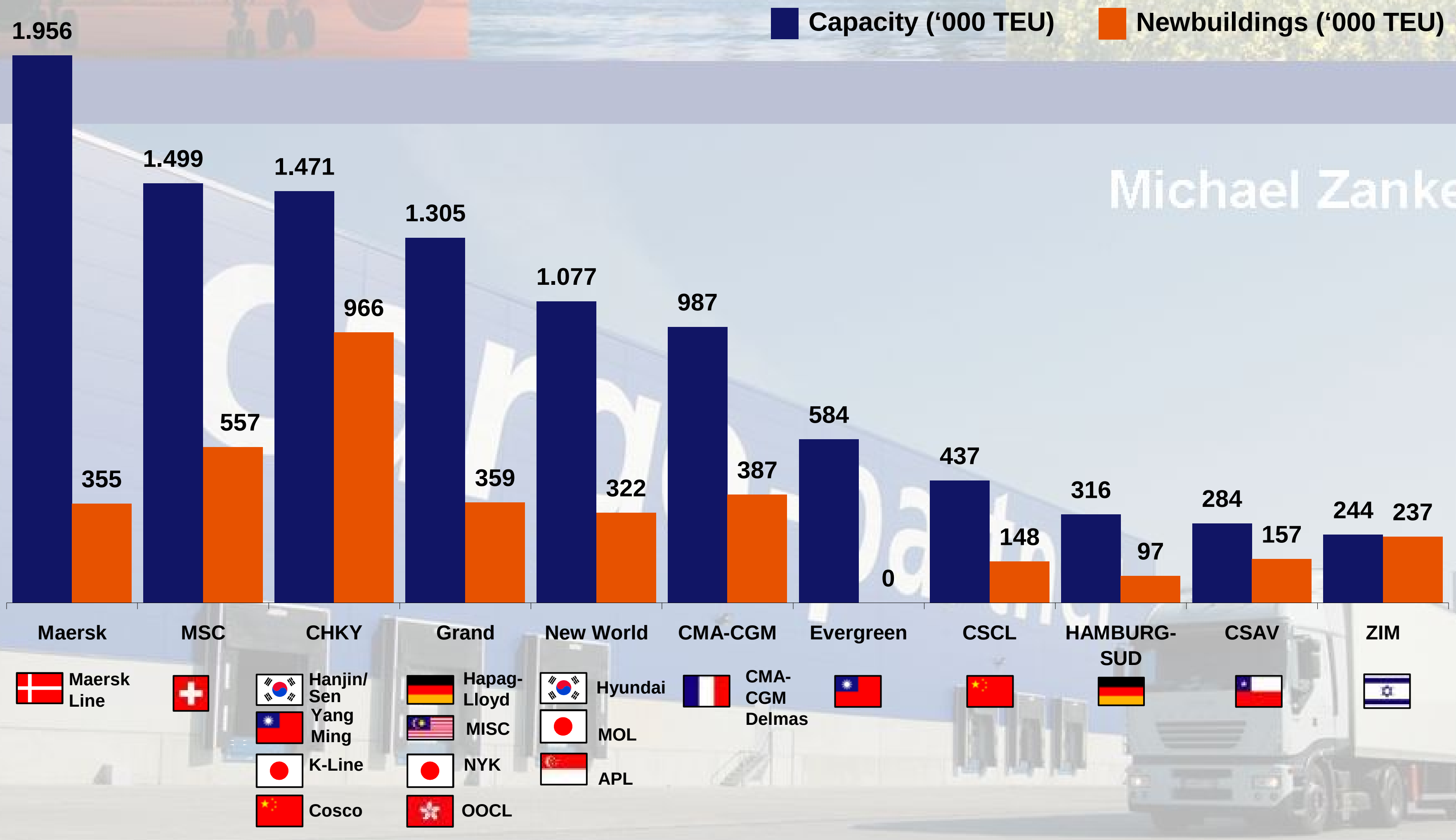
China Shipping Container Lines
H1 2009 : US$500m net loss
H1 2008 : US$103m net profit

China Cosco Holdings
H1 2009 : US$672m net loss
H1 2008 : US$1.8bn net profit

Evergreen
H1 2009 : US$143m net loss
H1 2008 : US$35m net profit

Source: PR News, 1 Sept 2009

Struggle for Survival – The Liners



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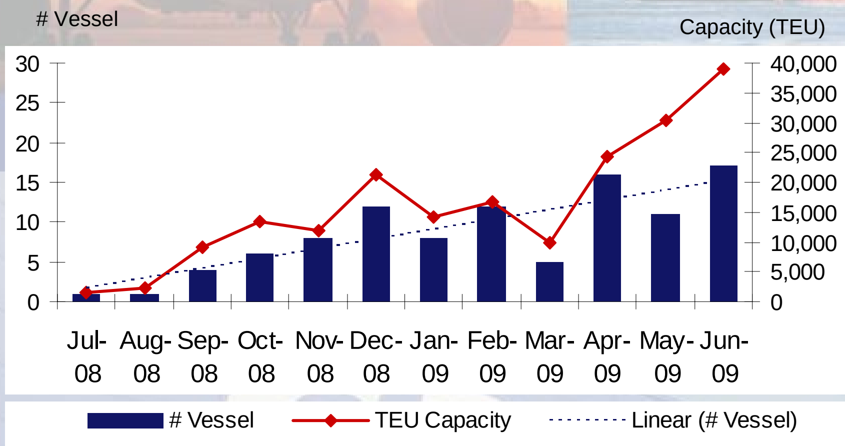
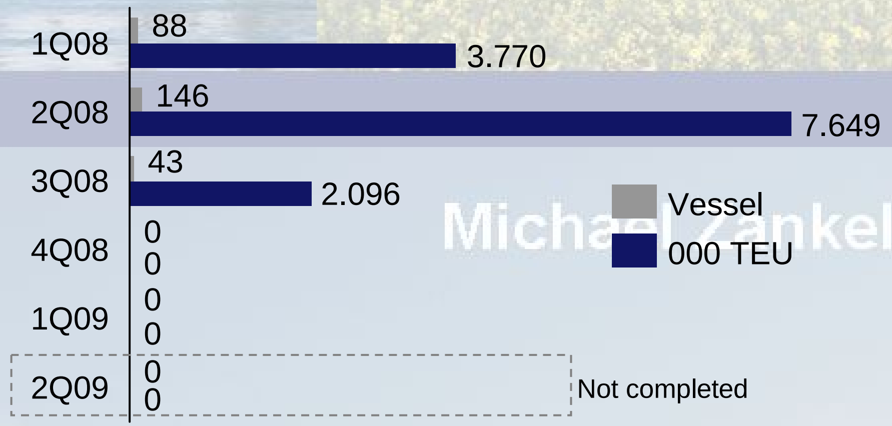
Source: Transmodal, Juli 2009 plus HL data

Struggle for Survival– The Liners

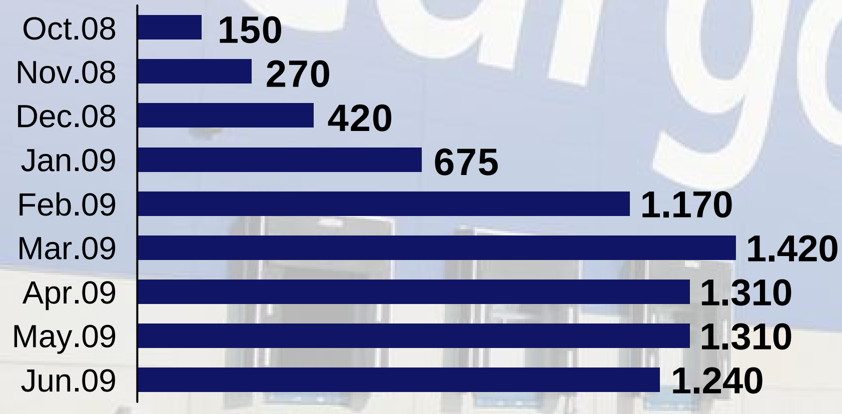
Monthly Scrappings



New Capacity ordered



Vessel Layups (kTEU)



In June 09 Vessel Layups represent ~ 9.7 % of Total Market Capacity

Carriers' Response

- Vessel Layups and reduction of capacity, e.g. Maersk, MOL, NOL, ZIM
- Streamlining of several services, e.g. Cosco, Hamburg Süd, NOL
- Return of charter-vessels, e.g. CMA-CGM
- Postponement of newbuildings, e.g. CSAV, Maersk, NOL, ZIM

Source: Dynamar, ISL, AXS Alphaliner, Press

Routes China - Austria

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Two main routes today

- North European ports (number one Hamburg)
- Adriatic ports (Trieste, Koper)

FCL/LCL

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- **Full container loads**

(20’, 40’, 40’HQ) from CY to CY
(Container Yard)

- **Less than container loads**

offered in cbm from CFS to CFS
(Container Freight Station)
- MCC (Multi customer consolidations)
- BC (Buyers consolidations for 1 customer)

Battle of Port Statistics

- **Asian Battle (Port Statistics)**
- **Export Compensation**
- **Hong Kong Pros & Cons**
  - Cost
  - Efficiency
  - Customs Procedures
  - Banking and L/Cs
  - Local Law

Asia Europe Land Bridge

Routes

- Chinese cities – Manzhouli (Sun Fen River) – Europe TSR
- Erenhot (Mongolia) – Ulan Ude – TSR
- Vessels to Vladivostok, rail from Vystochny TSR

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Transit Time

- Average 35 days to Moscow
- Twice a week, one cart PEK-MOW

Asia Europe Land Bridge

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Limitations

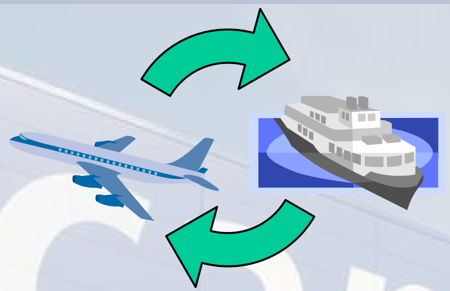
- Drastic rate increases from 2000
- No rate paying cargo eastbound
- Limited of traction capacity
- Changes of track size
- Electronical secretary system

LAND BRIDGE PROJECT:

container transport, European rail, TSR, China Railway, NOVCC Document (up to Mongolia), one waybill, security system, PEK-Berlin in 15 days.

Multimodal Freight

- **Sea / Air**



via Dubai

via Korea

via Taiwan

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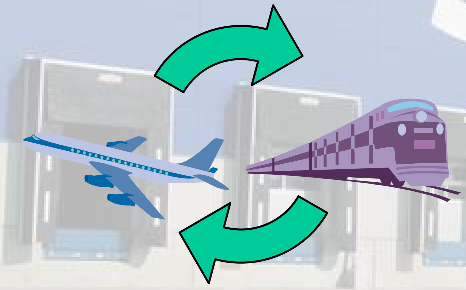
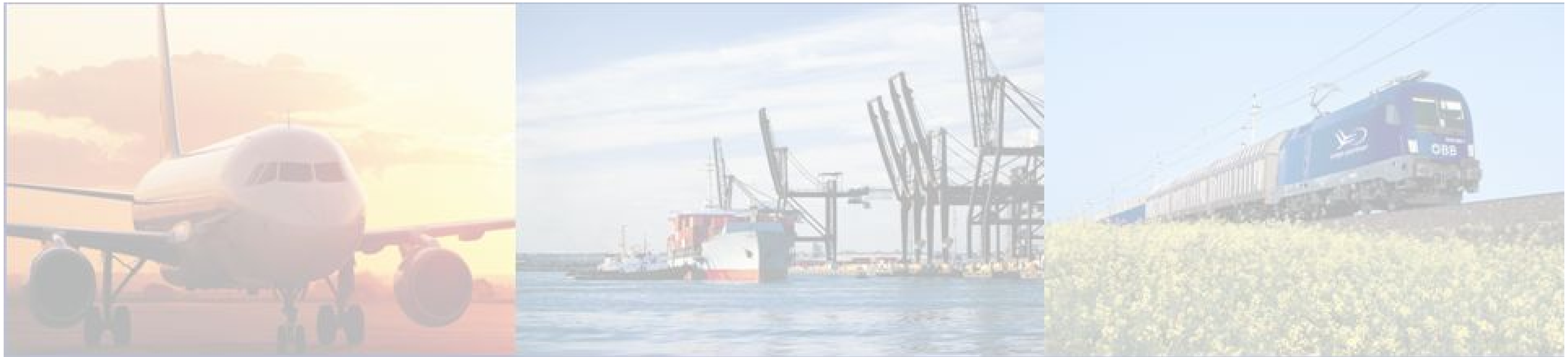
- **Rail / Air**



via Urumqi



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Thank you very much