Kestrel
Global Logistics

When Shipping To The
Caribbean Basin,
Nobody Soars
Higher Than Kestrel

Global Freight Management
About us

- Kestrel Liner Agencies, LLC
  - Formed in the US in 2003
  - Total USA staff of 35
  - Turnover about $38 million
Offering service from over 100 Ports around the world to over 45 Destinations in the Americas

<table>
<thead>
<tr>
<th>Ports</th>
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<tbody>
<tr>
<td>Asia/China</td>
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<tr>
<td>Mediterranean</td>
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<tr>
<td>North Europe</td>
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<tr>
<td>Latin America</td>
<td>27</td>
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<td>North America</td>
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MODE OF SHIPPING
- AIR
- TRUCK
- TRAIN
- SEA
A Little History of the Industry

- It all began when Noah had a logistical problem..
- Often referred as the second oldest profession
- The **Phoenicians** developed the first trade routes and codified the basis of shipping laws
Shipping… A Risky business

- The concept of the “Adventure”

- Shared Risk
  - Owner of the ship
  - Owner of the cargo
Guess how many containers are lost at sea each year?
The 4th of July started a little early
Units of Measure—Our Lexicon

- FCL - Full Container
- LCL - Less than Container
- TEU - 20ft equivalent unit FEU 40ft
- CBM - Cubic Meter
- KG - Kilogram
- MT - Metric ton of 1000 kgs
- Except the USA!
  - Cubic ft… Short ton… 100 weight (CWT)…
40ft and 20ft Containers
Common Carriage

- VOCC: Owner/operator of ships
  - Emphasis on asset based

- NVOCC: Non vessel operating common carrier
  - Ocean transportation Intermediary (OTI)
  - Generally non asset based
The Logistics Chain & value added services

- Shipper
- Warehouse
- Freight forwarder
- Trucker/train
- Origin Terminal
- Transport Intermediary
- Carrier’s Agent
- (Ocean/Air) Carrier
- Destination terminal
- Destination agent
- Customs Broker
- Trucker/Train
- Warehouse
- Consignee
Organizational skills are a must!
The Container revolution

- Old days: cargo was shipped as break bulk filling the hatches of the ship

- Containerization started in the late 1950’s and began to reach the Caribbean and Latin America only in the late 60’s and 70’s
<table>
<thead>
<tr>
<th>Route</th>
<th>Billions of teu/kilometers</th>
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<tr>
<td>Asia &gt; N.Am</td>
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<tr>
<td>LAT &gt; N. Am</td>
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Source: MergeGlobal
World’s largest container ship holds 15,000 teus
Mega Ships need Mega terminals
Crewed by 13 sailors and officers!!
Deep Sea Service deployed on East Coast South America / Europe trade  +5000 Teu’s
2200 TEU deep sea deployed on East and West Coast South America
Specialized Project Ship
Short Sea vessels Lo/Lo & Ro/Ro
A Port Comparison - 2007

- The Port of Shanghai alone ships 26 million teus!

- Biggest Port in South America: Santos 1.7 million handled in/out
Port of Santos
PANAMA- Manzanillo Int’l Terminal
Global Trade Routes

- Deep Sea
- Short Sea
- East-West
  - Via Suez or Panama
- North South
EUR1 and EUR2 Routes

<table>
<thead>
<tr>
<th>EUR1</th>
<th>Aarhus</th>
<th>Oslo</th>
<th>Malmo</th>
<th>Le Havre</th>
<th>Rotterdam</th>
<th>Tilbury</th>
<th>Hamburg</th>
<th>Antwerp</th>
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<th>Felixstowe</th>
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Mediterranean

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<th>Genoa</th>
<th>Livorno</th>
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<td></td>
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East and West Coast South America

To/Fm Europe

To/Fm Asia

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<tr>
<th>ECSA1</th>
<th>Buenos Aires</th>
<th>Rio Grande</th>
<th>Itajai</th>
<th>Santos</th>
<th>Rio de Janeiro</th>
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</table>

|          | 24         | 24     | 27       | 21     | 22             | 20       |         |         |
Cargo receiving station
What is being shipped in containers?

- To Caribbean
  - Ceramics, Building Mats. Furniture, Hotel supplies, groceries, beverages, consumer goods

- From Caribbean
  - Tourist islands empty containers
  - Produce, foodstuffs, clothing
What is being shipped?

- To Central/ South America
- Consumer goods, food, beverages, machinery, chemicals, components, equipment
What is being shipped?

- From Central /South America
- Minerals, commodities (soy, coffee, sugar) 
  agricultural, finished assemblies, wearing apparel, building mats, furniture
American exports to Paraguay.. Seriously....
The “topography”

- The Americas consist of distinct trades and cultural orientations:
  - Caribbean basin- mostly small island markets that are tourist driven
  - Central America with small-medium sized economies
  - South America with diverse large economies
The “Topography” of Shipping

- Cargo specifications
- Routing
- Destination market characteristics
- Environmental factors
- Contingency planning
- Cultural barriers
- National and International regulations
Some Regulation??

- Department of Homeland Security
- Security Inspections
  - AMS, CET, CEX
- C-TAPT
- TSA
- Customs and Border Protection
- USDA
- FDA
- Bio-terrorism
- State Department
Delivering the “goods”
It’s the delivery that matters
Some of our World Class Clients

- BMW
- Corona
- Diageo
- Nestle
- Red Bull
- Portobello
- Sumitomo/Mazda
- Waterford Crystal
- Yamaha Outboard
- Amanyara
- Elite Resorts
- Ritz-Carlton
- Caicos Resorts
- Spice Island Resort
- Sandals
- Little Switzerland
- Bertin
Some past projects
Amanyara; Global Sourcing

- Windows: Argentina
- Wood: Malaysia & Indonesia
- Ceramics: Brazil & Turkey
- Stone: Bali
- Furniture: China
- Linens: Italy
- Fixtures: France
- Wines/Spirits: Worldwide
2007 Cricket World Cup Case Study

- Topography
- Contingencies
- Successful outcome
Complexity? Some of the factors:

- Australian Brand holder
- New Zealand Freight Forwarder
- Manufactured in Slovenia and Greece shipped via Italy & Greece via Kingston via Trinidad to final destinations
- Port Strike
- Diversions
- Construction Deadlines
The seats we shipped just in time!
What I have learned

- I am a 31 year veteran who learns something new daily!

- The greatest weakness among logistics practitioners:

- Geographical literacy!
Often heard:

“I need to ship something from China”

“Do you ship from Guyana to Grand Cayman? “
  - Both ports named Georgetown

**Master of the ship** (Once heard):
  - “Where is the boarding agent? I have arrived in Santo Tomas (Guatemala)”
  - Reply: “You are supposed to be in Saint Thomas (Virgin Islands)”
THEN... AND THE FUTURE

What drives the trade
Rosanna Rosana Dana said it best,

“If it isn’t one thing… It’s another”

There will always be doors closing and opening

   In good times and bad times
What factors most impact our business?

- Foreign Exchange rates
- Demand elasticity
- Disposable Income
- Stable tourism
What factors most impact our business?

- Infrastructure development
- Cyclical N/S and S/N nature in the Americas
- Sourcing avenues
- China
10 YEARS AGO

- Regional Free Trade Pacts Signed
  - NAFTA
  - DR/CAFTA
  - Twin-plant manufacturing
    - Cross Border
    - 807 program/ Maquilla factories

- Caribbean Tourism
  - Inexpensive and safe
10 YEARS AGO

- USA/LAT trades controlled by primarily short sea carriers
- Shipping Deregulation underway in most aspects of transportation
- Ship size
  - Short sea  100-500 teus
  - Deep Sea  1000- 2500 teus
Consolidation of Services

- Due to Capital Costs- Shipping Lines share tonnage and vessels
- The big are buying up the small / medium
- It becomes harder for the “Big” to offer customer service
- The opportunity of the “small” is to provide the customer service vacuum
Supply – Demand equilibrium

Just when you think we have equilibrium...

- Carriers overbuild quantity and size of ships.... The Global recession have changed their plans
- Carriers struggle to maintain pricing stability
- Withholding capacity in some trades
Shipping Supply-Demand in Latin America

- The ships are sailing full
  - From USA to East and West Coast of South America. For now
  - From West Coast South America to USA
  - Fruit/Vegetable refrigerated high season (WCSA and Central America in our winter)

- The ships are “pretty” full
  - Caribbean Region
  - To Europe
  - Intra-regional Latin American trade
Supply-Demand in Latin America

- The ships are not full
  - From East Coast South America to USA
  - From and to Asia
Today and five years

- Hold on for the recession

- Latin American export economies dependent on light manufacturing (-) fresh products (+) and commodities (-)

- Government policies and institutions are generally more prepared for the down turn
Today and 5 years

- **Power of Remittances**
  - Billions are transferred annually
  - Usually the first workers to lose jobs

- **Latin America rebounds**
  - When commodity prices turn up
  - Capital inflows return to emerging markets
10 years from now?

- Current USA Economic crises
  - Affecting Tourism development in the region
  - What will be the next bubble to spur excessive growth and excessive disposable income?

- Continued intra-regional trade
  - Less dependence on USA as a trading partner
10 years from now?

- Renewed in interest in sourcing closer to USA market
  - Reversing trend in a positive direction for “Maquiladoras”
  
  - Although sourcing is also moving to the Asian low cost producers
10 Years from Now

- **Panama Canal Third Lock is opened**
  - Panamax size increases to +10,000 teu sized vessels
  - The paradigm shift that brings

- **Growing the economies of scale**
  - Infrastructure to get the goods to market
    - Ports and handling equipment
    - Inland Distribution
With 100% certainty we will be in a different cycle

With 0% certainty can I say which one!
31 Years later…It’s a rough job but..
But some one has to do it!