

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

	<u>Ports</u>
● Asia/China	35
● Mediterranean	17
● North Europe	20
● Latin America	27
● North America	7

SHIPPING 101

- **MODE OF SHIPPING**
- AIR
- TRUCK
- TRAIN
- SEA

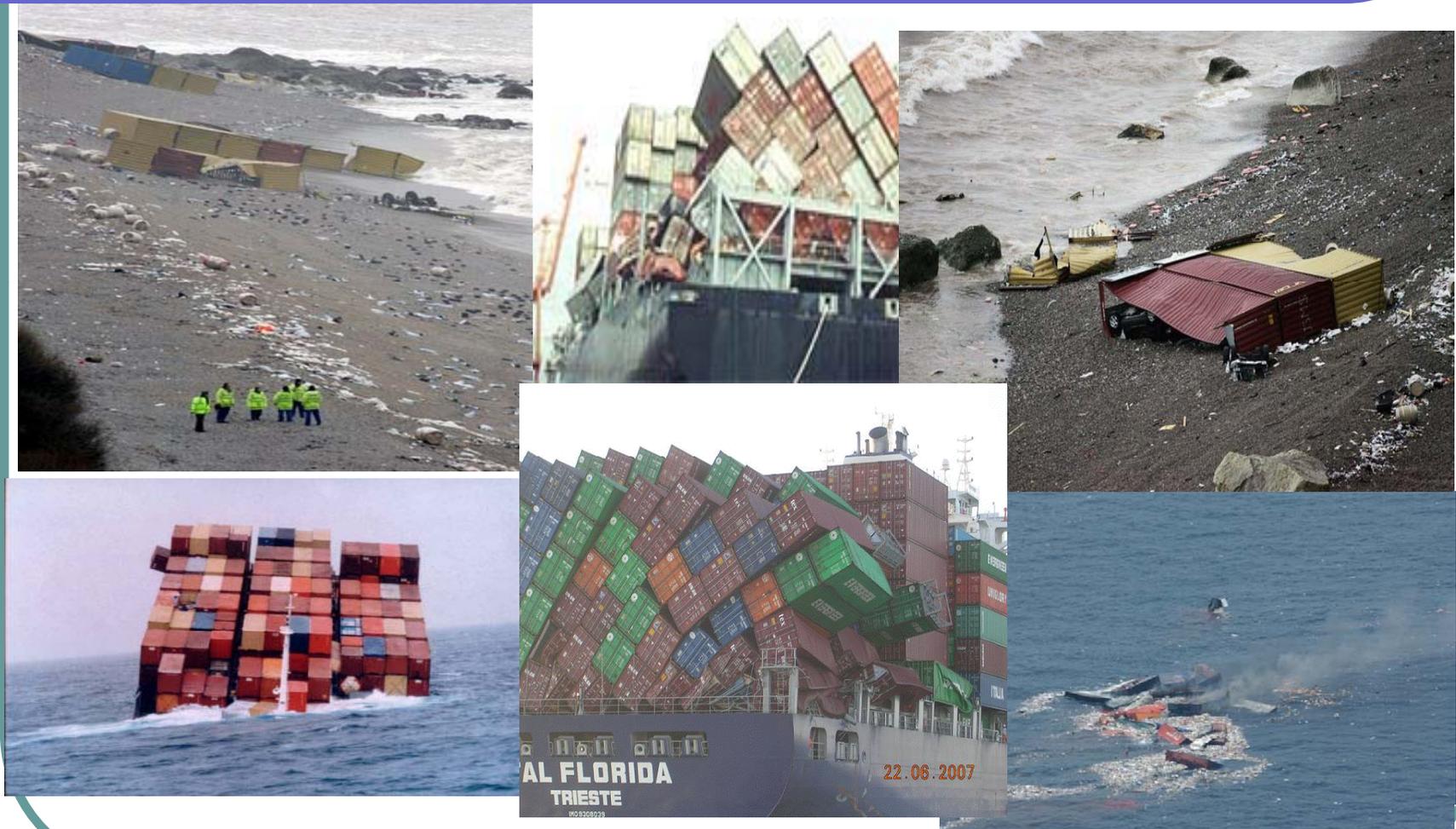
A Little History of the Industry

- 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

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

Laden Container flows

Billions of teu/kilometers

Source: MergeGlobal

- Asia > Europe 240
- Asia > N.Am 200
- Europe > N. Am 22
- **Europe > LAT 18**
- **N. Am > LAT 16**
- Europe>Asia 108
- N.Am > Asia 86
- N.Am > Europe 18
- **LAT > Europe 21**
- **LAT > N. Am 20**

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

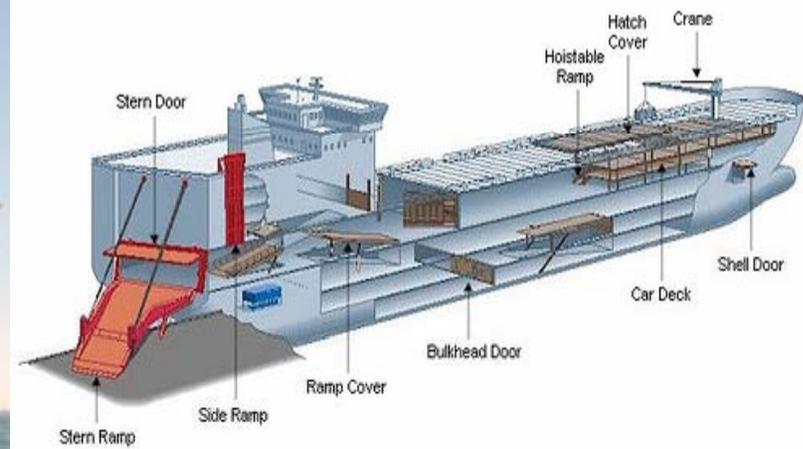


Short Sea vessel

St Georges Grenada



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



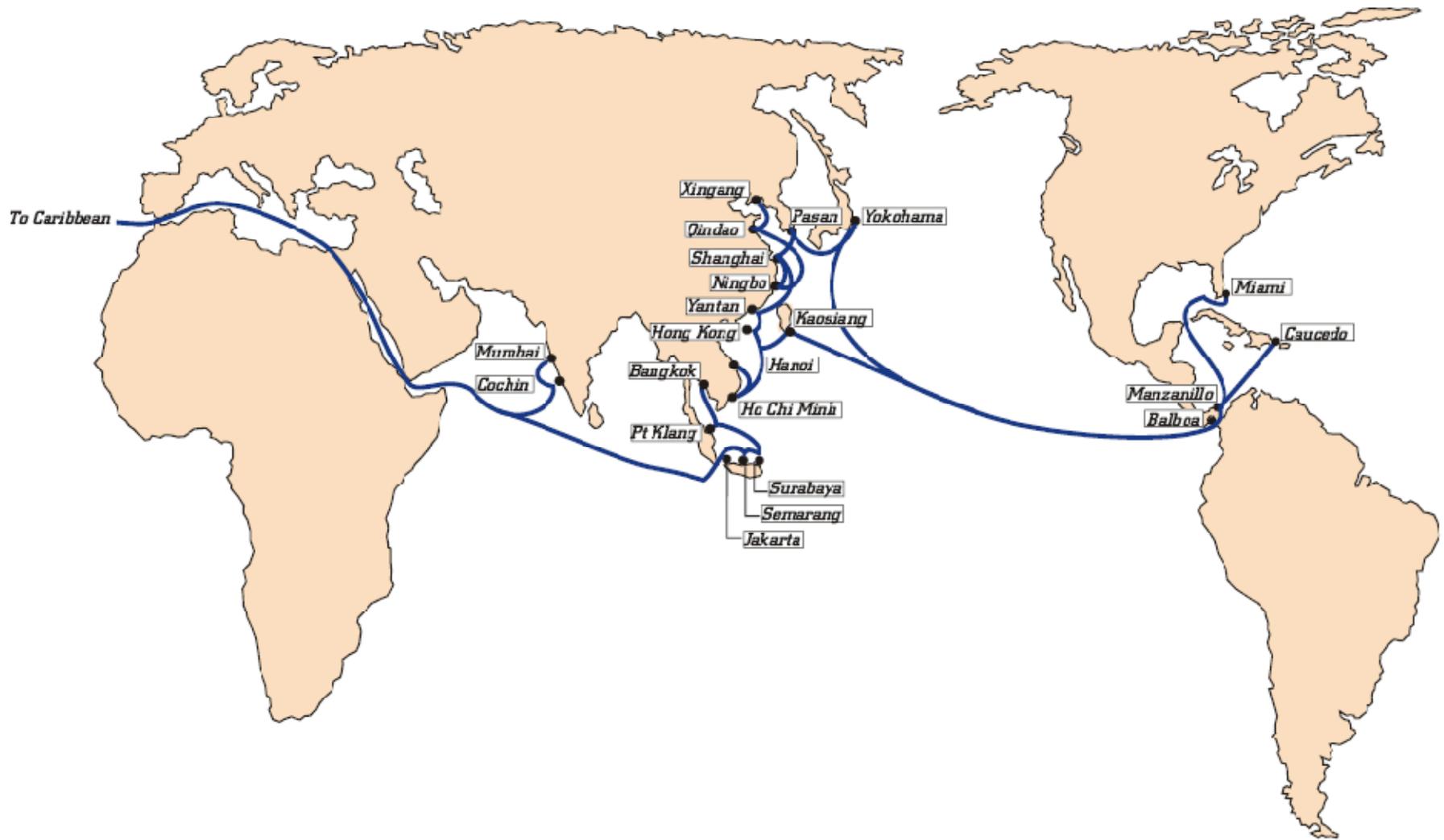
PANAMA- Manzanillo Int'l Terminal



Global Trade Routes

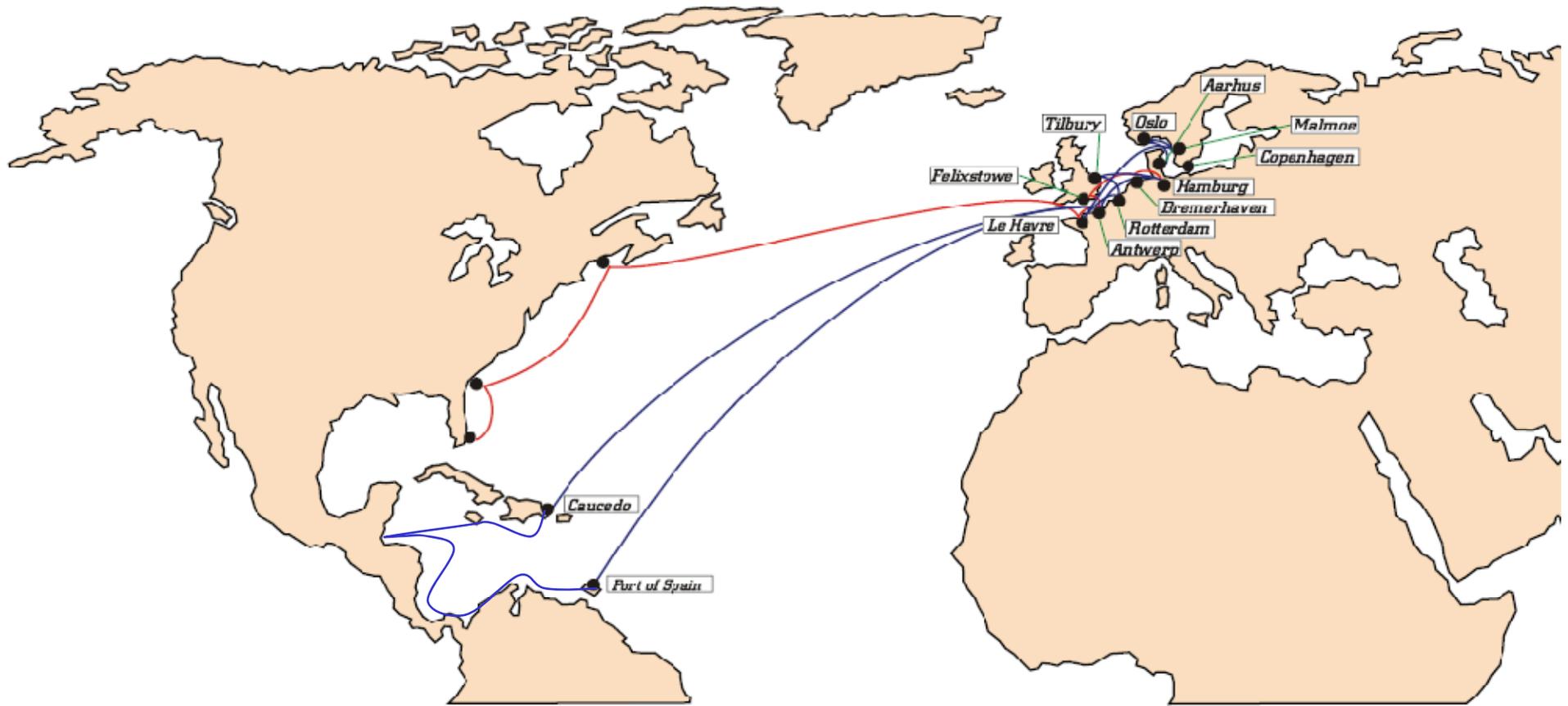
- Deep Sea
- Short Sea
- East-West
 - Via Suez or Panama
- North South

Far East Route



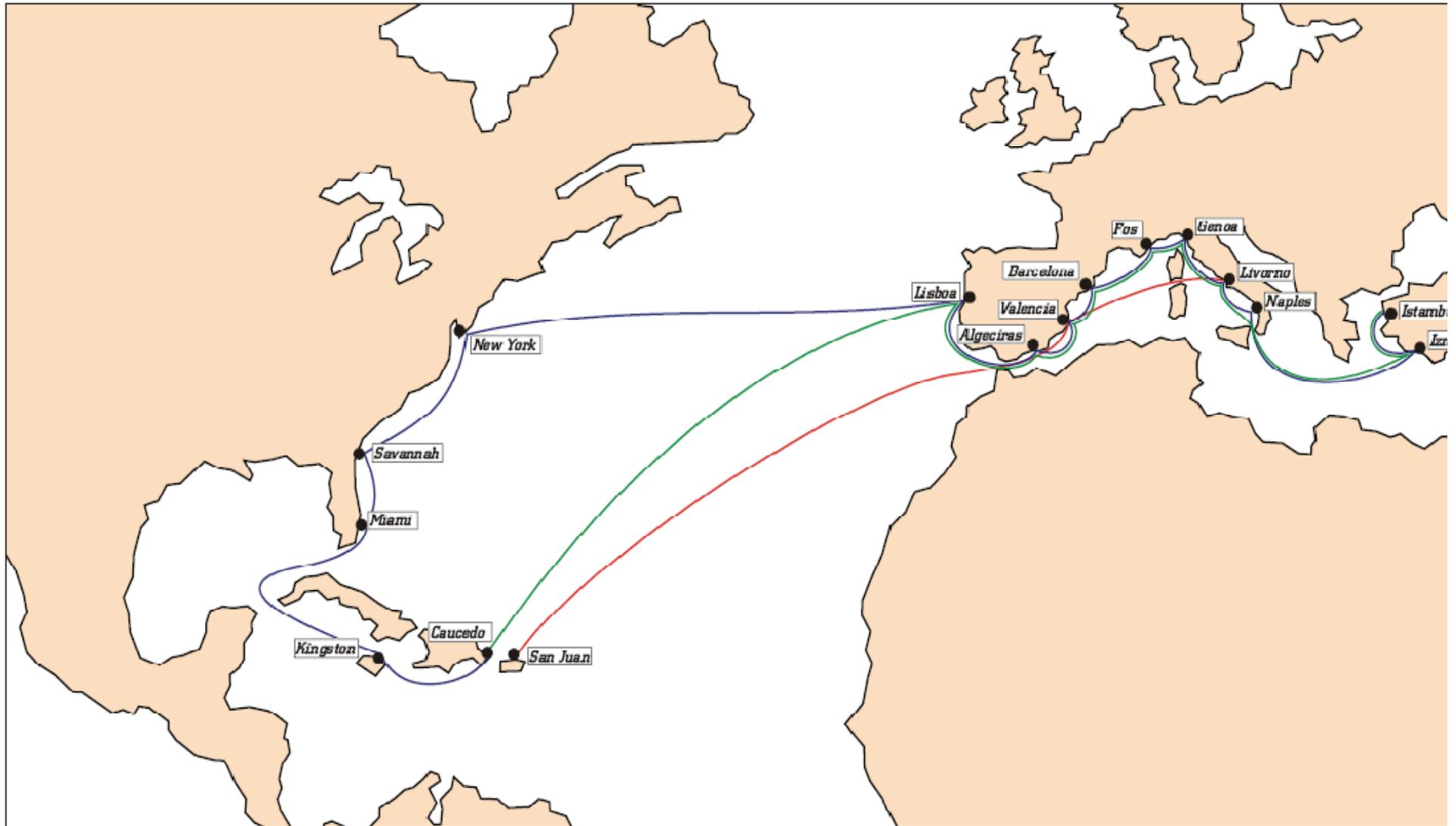
FEX1	HK	YAN	SHG	NGB	XIN	XIA	SPORE	PKL	BUS	KAO	YOK	GATEWAY
	25	30	28	29	33	31	30	30	26	27	30	Caucedo
	31	32	34	35	39	36	45	43	32	30	35	Pt Lisas
	22	25	28	33	28	31	29	36	26	28	30	Miami/PEV

EUR1 and EUR2 Routes



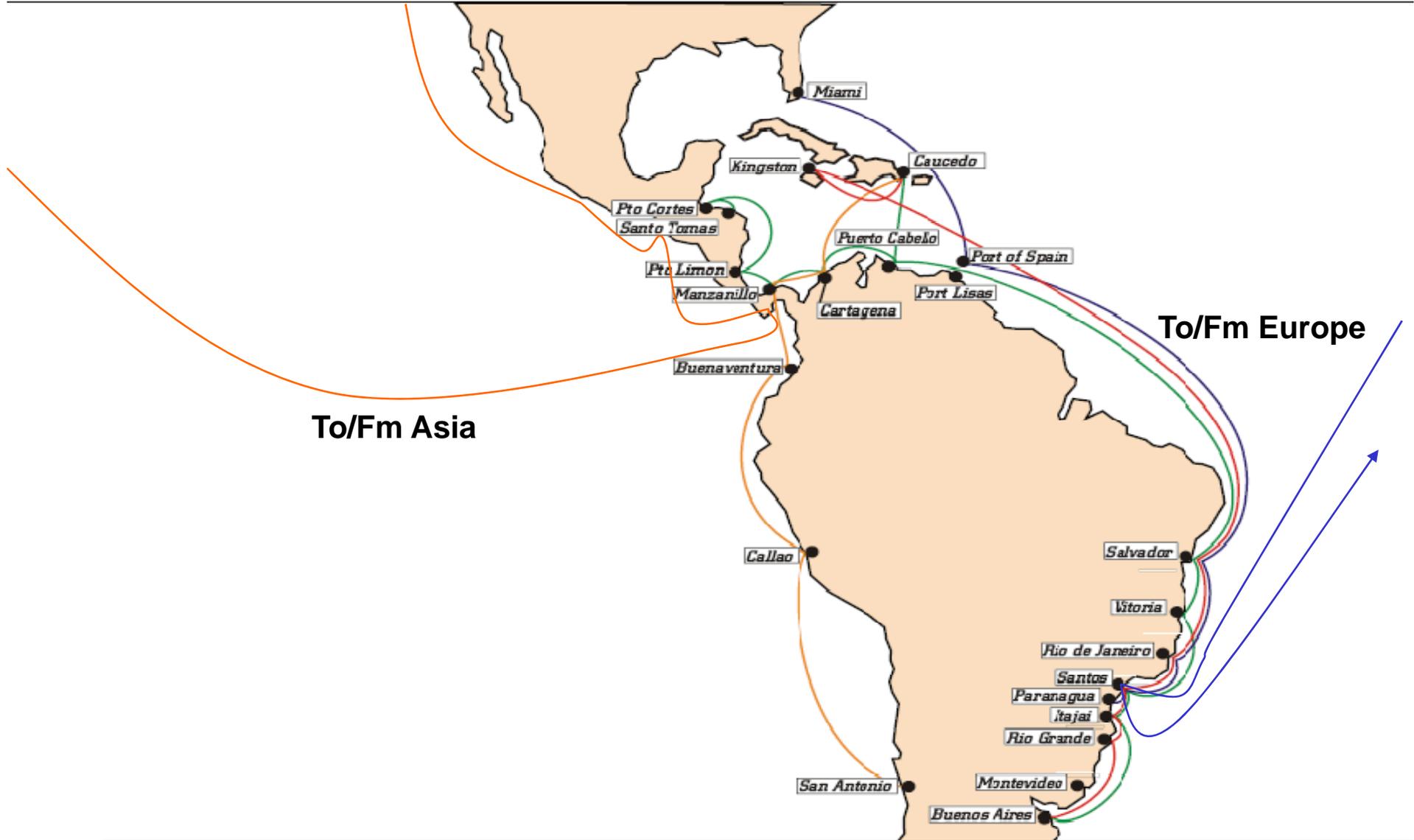
EUR1	Aarhus	Oslo	Malmoe	Le Havre	Rotterdam	Tilbury	Hamburg	Antwerp	Caucedo
	18	18	18	25	16	14	12	10	0
EUR1 A	Rotherdam	Hamburg	Tilbury	Antwerp	Le Havre	POS			
	17	15	13	12	10	0			
EUR2	Copenhagen	Aarhus	Bremerhaven	Felixstowe	Rotterdam	Le Havre	Newark	Savannah	Miami
	25	21	17	15	13	12	4	1	0

Mediterranean



	Lisbon	Valencia	Barcelona	Algeciras	FOS	Marseille	Genoa	Livorno	Naples	Istanbul	Izmir	Gemlik	Gateway
MED1	19	30	19	10	18	N/A	22	21	N/A	N/A	28	36	Caucedo
MED2	24	30	20	N/A	26	28	24	21	28	N/A	35	33	Caucedo
MED3		8						10					San Juan

East and West Coast South America



ECSA1	Buenos Aires 21	Rio Grande N/A	Itajai 15	Santos 14	Rio de Janeiro 12	Vitoria 11	Salvador 9	Gateway Caucedo
ECSA2	Itajai 23	Paranagua 24	Santos 21	Panama 6				Pt. Lisas
ECSA3	Rio Grande 23 24	Itajai 21 24	Paranagua 20 27	Santos 19 21	Rio de Janeiro 18 22	Salvador 15 20		Caucedo Miami/PEV

Mexico, Central America, North Coast South America



MEX1	Veracruz 10	Altamira 11		Gateway Caucedo
NCSA1	Aruba 5	Curacao 4	La Gualra 2	Pt. Lisas
NCSA2	Panama MIT 4	Catagena 2	Barranquilla 2	Caucedo
CAM1	Puerto Cortes 11	Puerto Barrios 10	Puerto Limon 11	Pt. Lisas
	8	7	10	Caucedo
CAM2	Puerto Cortes 4	Puerto Barrios 3		Miami

Cargo receiving station



What is being shipped in containers?

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

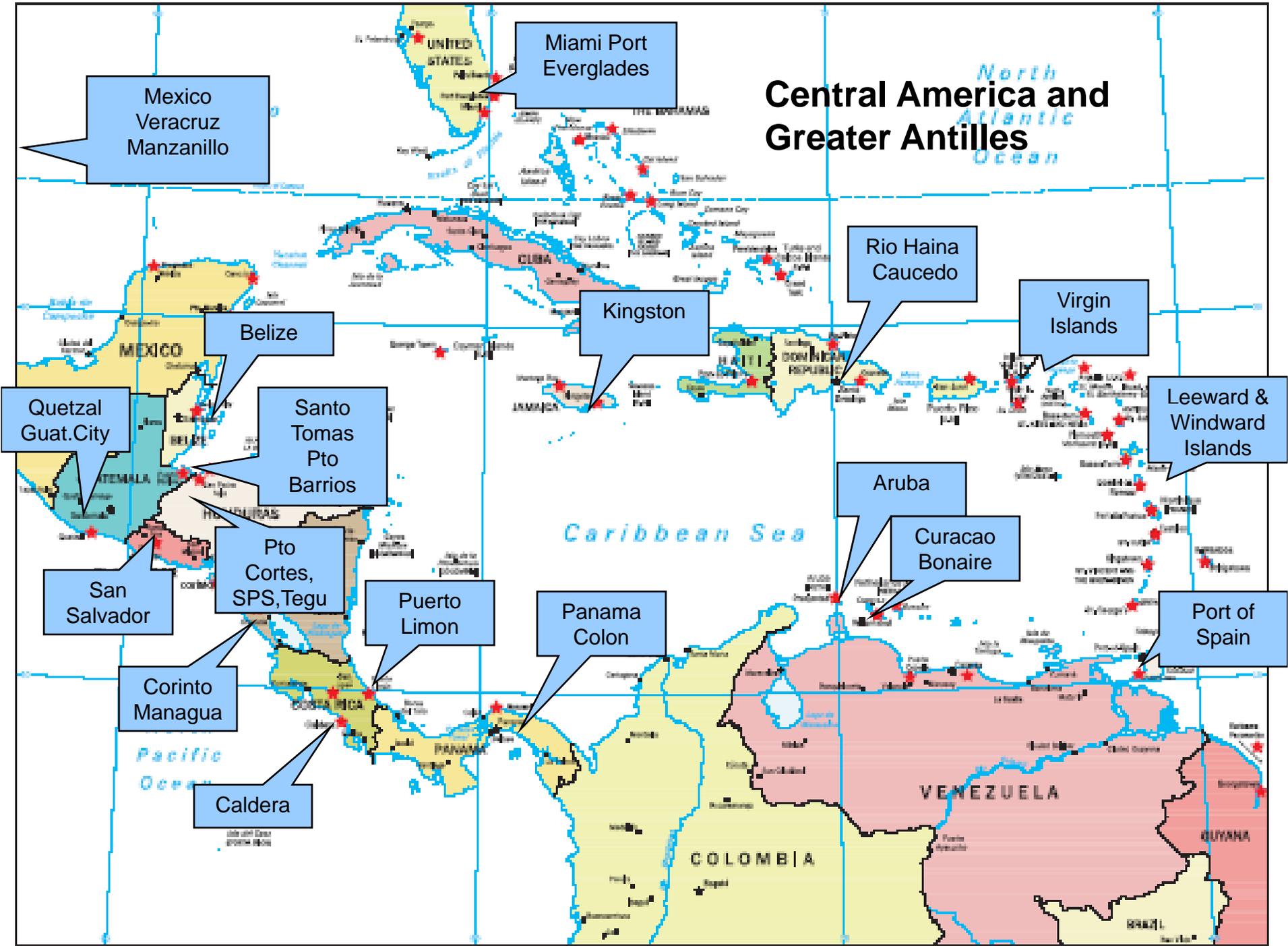
American exports to Paraguay.. Seriously....



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

Central America and Greater Antilles



The “Topography” of Shipping

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

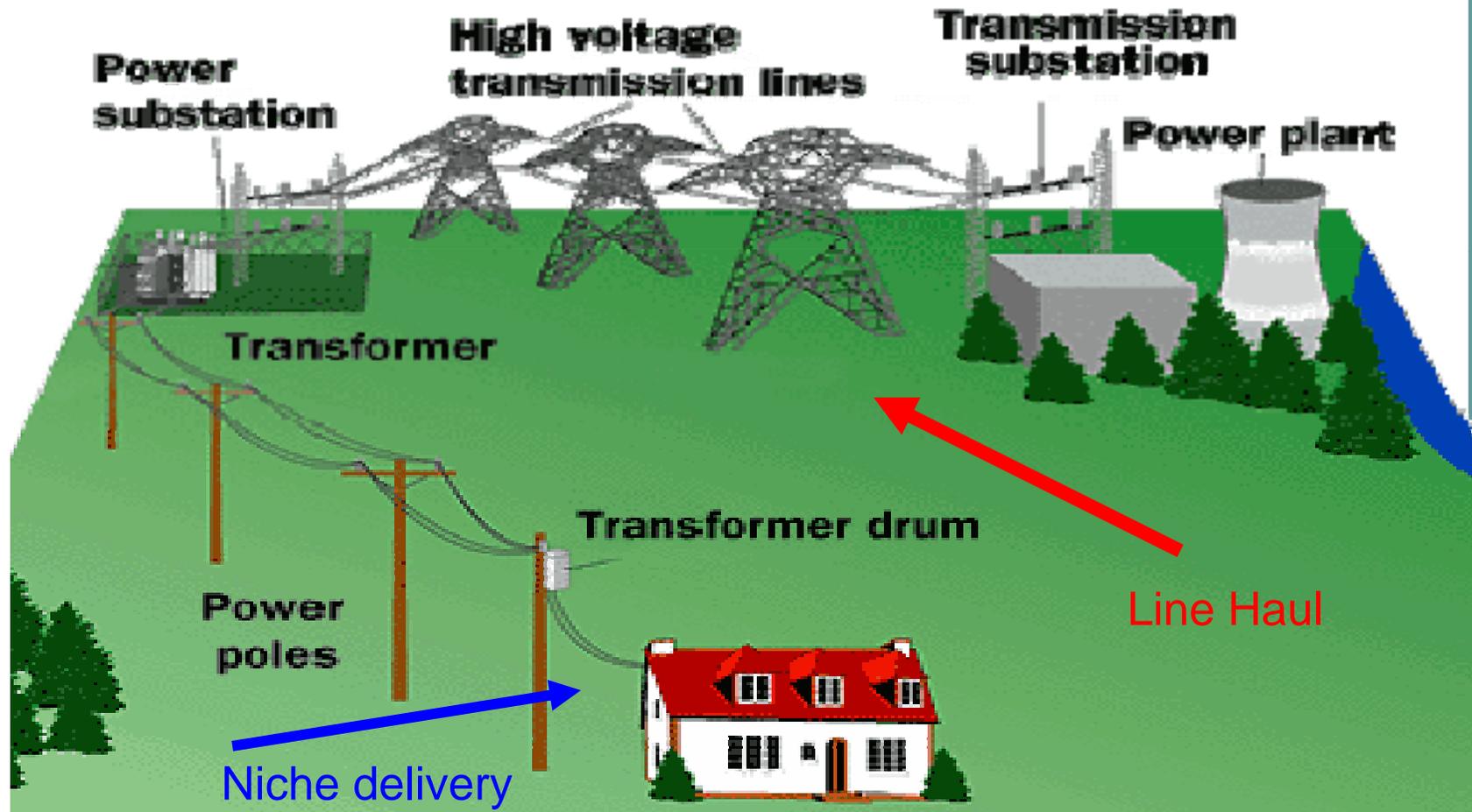
Some Regulation??

- 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



Our Brands

Kestrel
Global Logistics



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



ICC Cricket World Cup
WEST INDIES 2007

- **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!

Geography faux paux's

- 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

Everything I learned in International Trade & Logistics

- 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

10 Years from Now

- 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!

