



International Trade in the Oasis.
Learn, Network and Engage at

WTESCOCON
2017

David Arsenault
Founder & President
Logistics Transformation Solutions, LLC
www.myITS21.com

**Logistics
Transformation
Solutions**

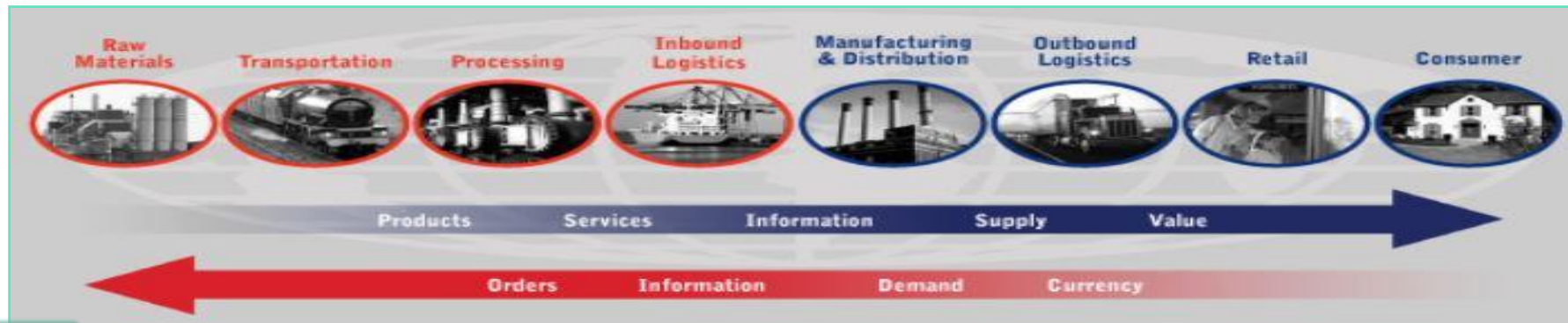


October 14, 2017



Logistics Transformation Solutions, LLC

- **Founded: October, 2016**
- **Maritime & Logistics Consulting**
 - Strategic Advisory Services – 30+ Years Experience
 - All Supply Chain Stakeholders
 - Ports – Terminals – Carriers - Investors
 - Cargo Owners – Forwarders - 3PLs - Associations
 - Technology - Security - Environmental
 - P&L Improvement – Commercial & Operational
 - Optimization - Innovation - Best Practices
- **Headquarters: Orange County, CA**
 - Midway Between Port and Inland Empire DCs
- **Global Industry Expertise => Proven Results**
- **Customized Confidential Solutions**





Industry Transformation



Industry Challenges

The logistics industry is currently facing some of the most significant challenges since the start of containerization. Ocean carriers are losing billions of dollars largely due to overcapacity which has resulted in high levels of financial distress, large scale bankruptcies and unprecedented levels of consolidation through mergers and acquisitions.

This has introduced a new trend of supply chain uncertainty amongst stakeholders forcing them to develop new strategies that will minimize risk, optimize efficiency and assure reliability.

D. Arsenault
www.mylts21.com



2017 Big Bang Carrier Consolidation

MEGA-ALLIANCE TRANSITION STRUCTURE

PAST

2M	Maersk
	MSC



2M+HMM	Maersk (Hamburg Sud)
	MSC
	HMM

O3	CMA-CGM
	China Shpg
	UASC



OCEAN	CMA-CGM (APL)
	China COSCO
	OOCL
	Evergreen

CKYHE	COSCO
	K-Line
	Yang Ming
	Hanjin
	Evergreen

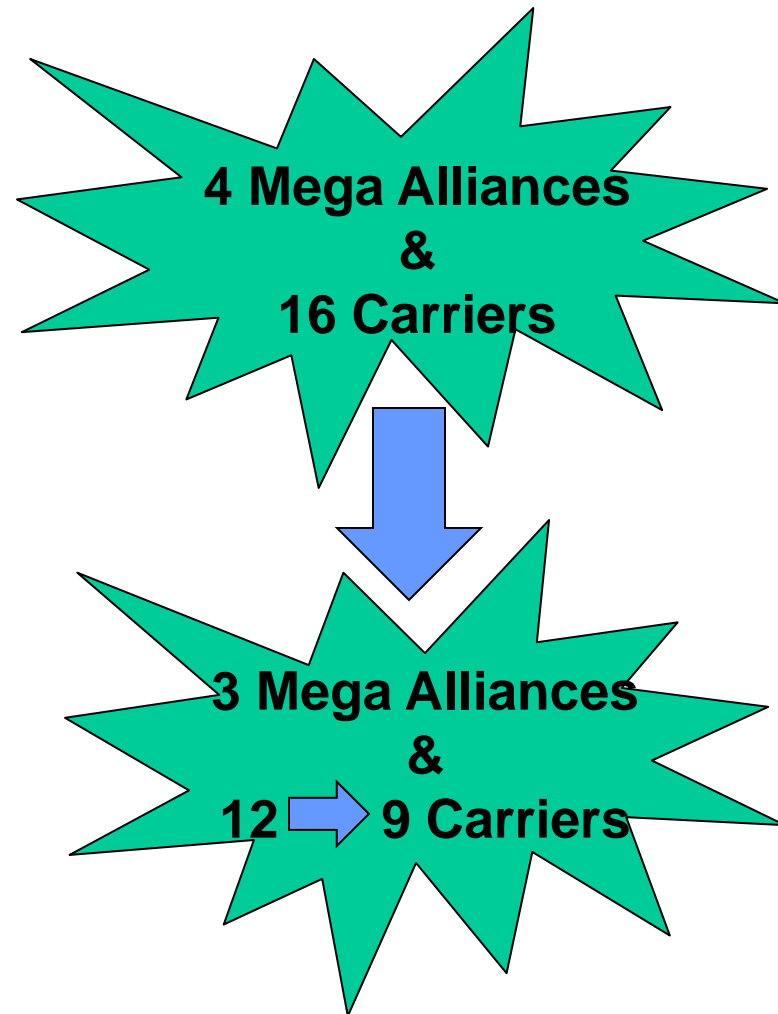


THE	Hapag (UASC)
	NYK
	MOL
	K-Line
	Yang Ming
	Hanjin

G6	APL
	HMM
	MOL
	Hapag Lloyd
	NYK
	OOCL



Independents	SM Line
	PIL
	Zim
	Wan Hai

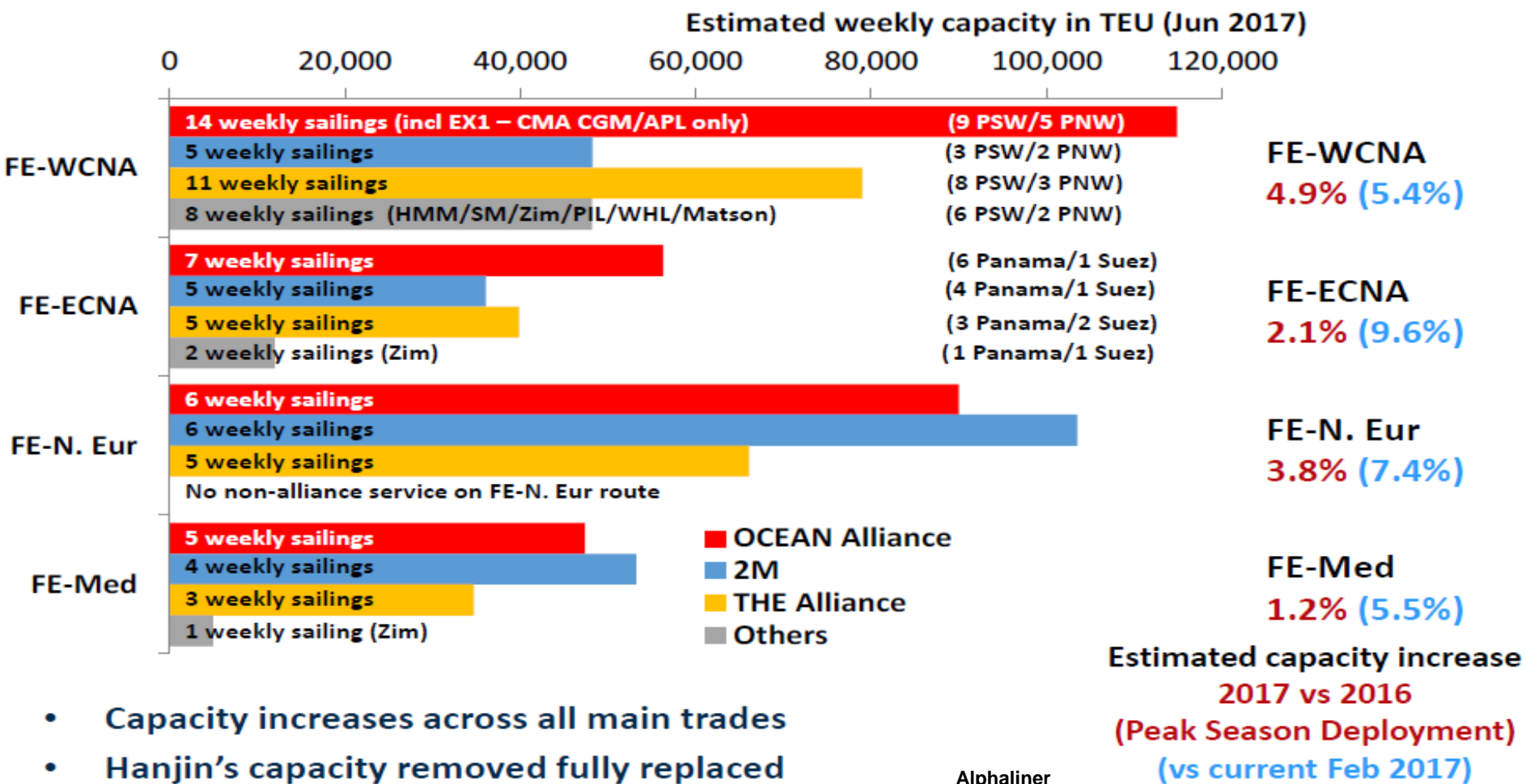


Further Consolidation Likely => 3:3



Global Alliance Sailing Frequency

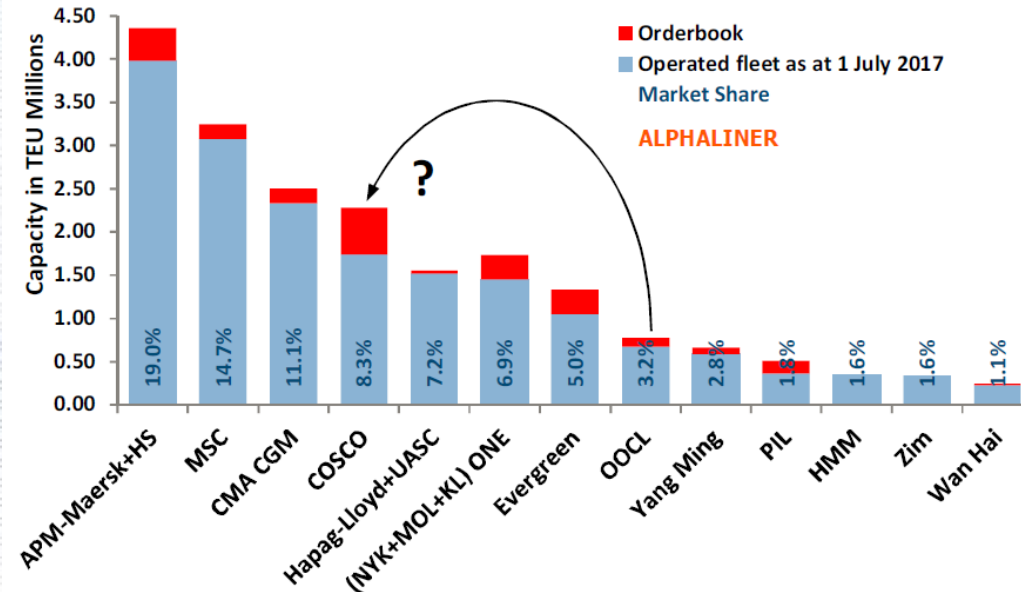
New Alliances from April 2017



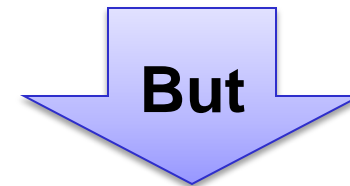


Carrier Consolidation Impacts

Top 13 Carriers (Including proforma mergers of Maersk & Hamburg Süd and NYK+MOL+KL)



- Supply vs Demand Discipline
 - Long Term – Fewer Carriers
- Terminal Consolidation
- Larger Vessels
 - Less Sailing Frequency
 - Hub & Spoke Deployments
 - Fewer Direct Calls
- Reduced Slot Costs
 - Lower Freight Rates



**2020 IMO 0.5% Fuel Sulphur Cap => Estimated Annual
US\$15 Billion Incremental Cost Impact
Increased Rate Pressure to Offset Cost Impact**



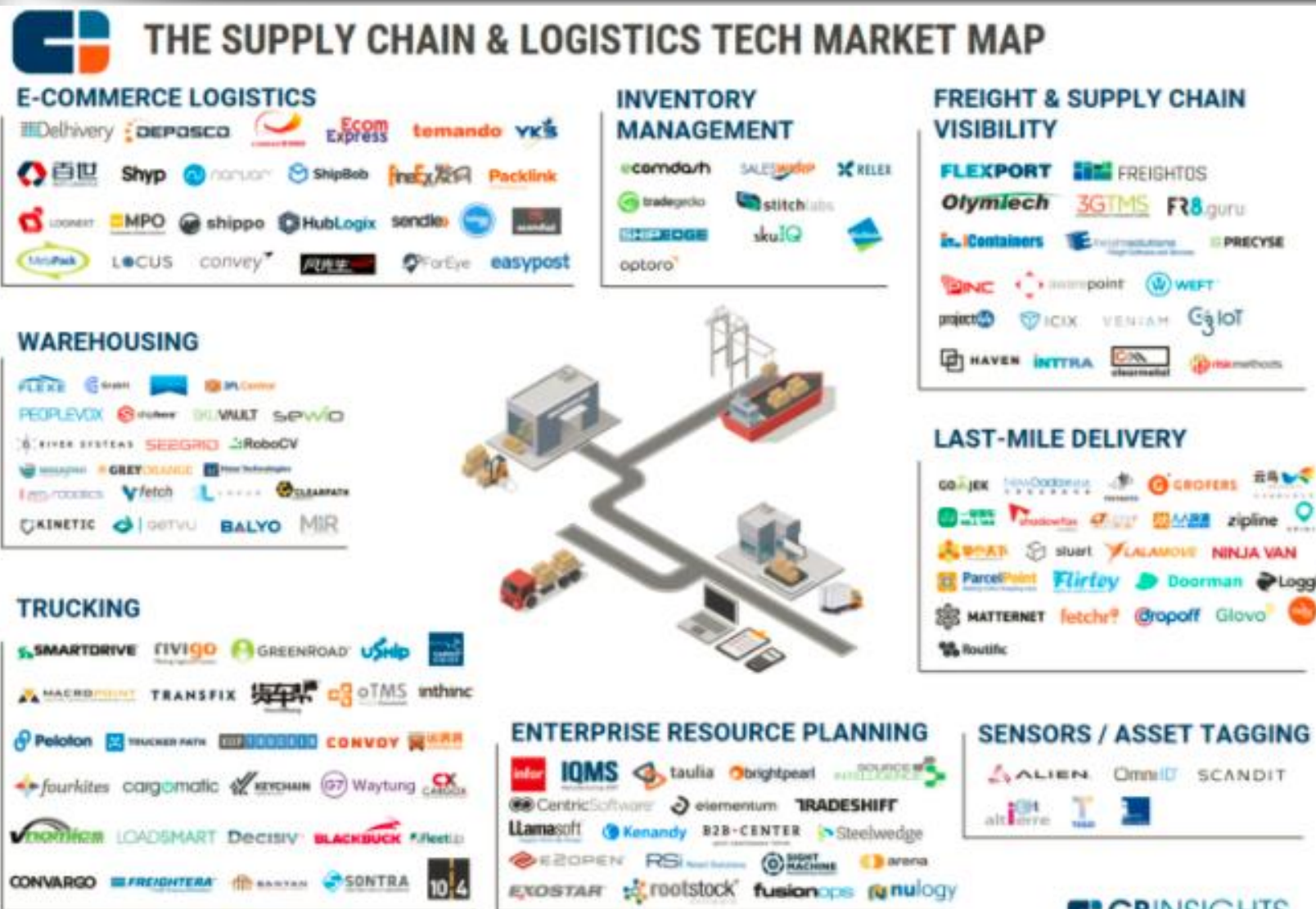
Tech Space – Fragmented & Crowded

Thought
Leaders

Alibaba Group
阿里巴巴集团

amazon

B BLOCKCHAIN



CBINSIGHTS

No End to End Supply Chain Solution

Top 10 Industry Trends



1. Carrier Consolidation

- Larger Vessels (Frequency & In-Direct Service)
- New Alliance / M&A – Growing Pains
- Further Consolidation Inevitable



2. Terminal Impacts

- Larger Vessel Cargo Density – Congestion
- Environmental & Operational – Automation
- Carrier Equity Terminal Impacts – Consolidation



3. Intermodal Cargo Impacts

- Increased Density Improves On-Dock Ratio
- ECO All Water – Rail Competitiveness
- Discretionary Cargo – RIPI Market Share Grab



4. Truck Power Impacts

- Further Consolidation – Zero Emissions Tech
- Turn Time Transparency – Peel Piles
- Autonomous Trucks
- Increased Adoption of Appointment Systems⁸



Top 10 Industry Trends



5. Trump Presidency – Trade Impacts

- Potential Tariff & Trade Wars Impacting Volume
- Increased Focus on Exports
- Business Tax Reductions - Improved Earnings



6. Overcapacity Continues => Rate Pressure

- New Build Deliveries Strong Thru 2019
 - +1.3 mil TEUs or +3.0%
 - +1.4 mil TEUs or +4.7%
 - 20 X 22,000 TEU New Orders – 2020 Delivery
- Fundamentals Remain Unfavorable for Carriers



7. Carrier Focus on P&L Improvement

- Cost Reductions – Automation & Off-shoring
- Headcount Reductions – Service Impact
- 6 Years of Earnings Pressure – Poor Results
- Increasing Fuel Costs
- Are Customers Willing to Pay for Service?



Top 10 Industry Trends



8. BCO & NVO/3PL Impacts

- **Hanjin Lessons Learned – Rates Not Sustainable**
 - How to Identify & Assess Risk Potential – Red Flags
 - Other Stakeholders – i.e. Ship Owners
 - How to Mitigate Supply Chain Risk
 - Value Based Contracts
- **Customer Intermediary Value Add**
 - Technology As a Differentiator



9. Shipbuilding

- **New Order Book is Contracting to Low Levels**
- **Shipyards Offer Significant New-Build Discounts**
- **Perpetuates Overcapacity Problem**
- **Autonomous Vessels**

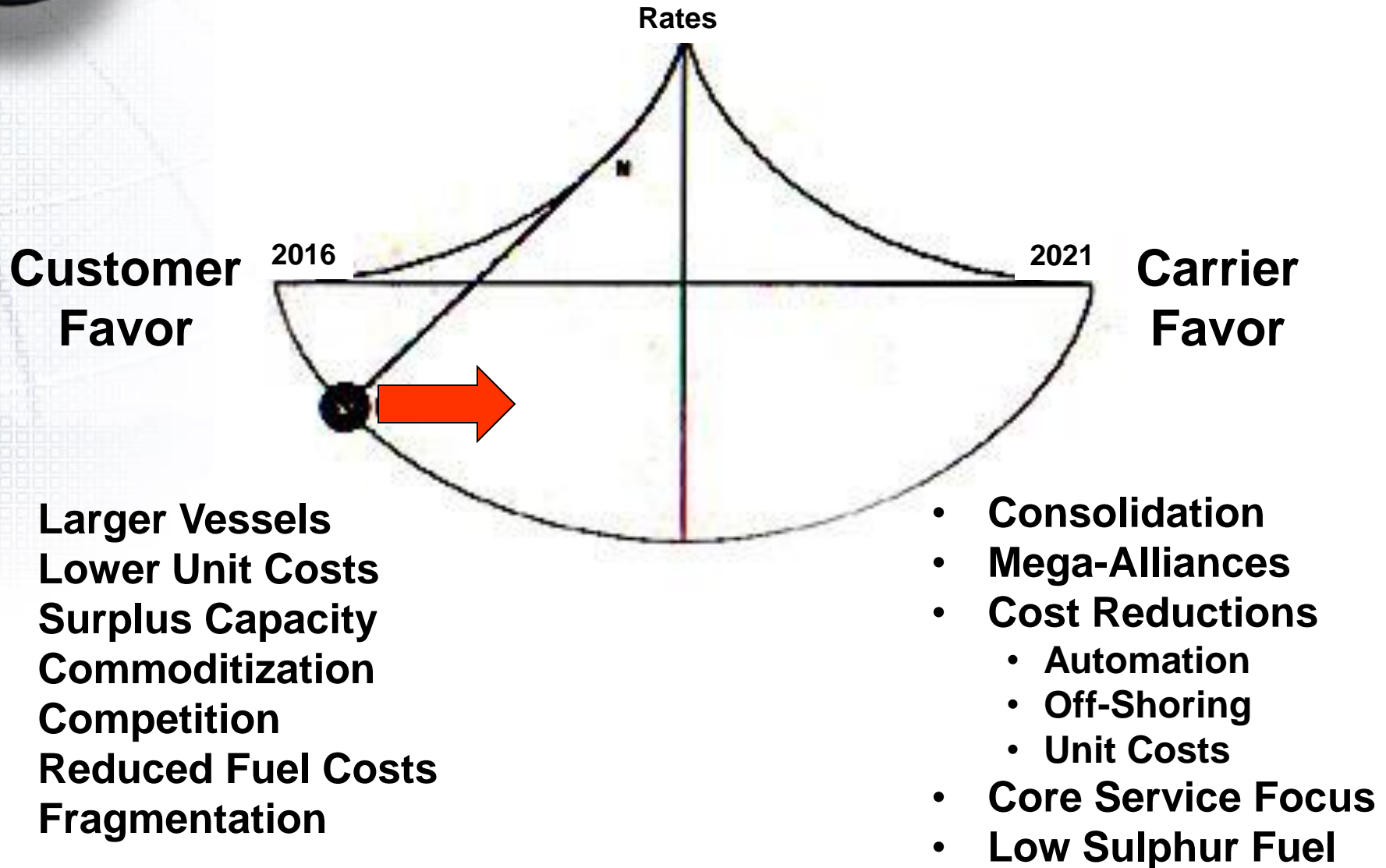


10. Longshore Labor Relations

- **ILWU Contract Extended 3 years to 7/1/22**
 - Organizing Superintendents
- **ILA Contract Extension in Discussion**
 - Current Expiry 9/30/18
 - Automation & Chassis M&R



Pendulum Is Slowly Shifting





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Q & A Thank You

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