

FOOTWEAR TRADE DISTRIBUTION & CUSTOMS



FTDC 2019 CONFERENCE

October 27–29 | The Renaissance | Long Beach

FDRA
FOOTWEAR DISTRIBUTORS AND RETAILERS OF AMERICA

Day 1: Setting the Stage

Welcome Address & Update on Port Operations During the Age of Tariffs

Dr. Noel Hacegaba, Deputy Executive Director, Port of Long Beach

POLB: Port Efficiency & Productivity


Innovation, Digitization and Collaboration

2019 FTDC | October 28, 2019

Dr. Noel Hacegaba, Deputy Executive Director



PORT OF LONG BEACH

An aerial photograph showing the Port of Los Angeles and the Port of Long Beach. The Port of Los Angeles is on the left, and the Port of Long Beach is on the right. The water is a deep blue-green color. The surrounding urban areas are visible in shades of brown and grey.

PORT OF LOS ANGELES

PORT OF LONG BEACH

WORLD'S 9TH BUSIEST PORT COMPLEX

*BASED ON 2018 CONTAINER CARGO VOLUMES



A man with a goatee and a black t-shirt is smiling while operating a forklift. He is in a shipping yard filled with colorful containers. The sun is shining brightly from the left, creating a lens flare effect. The forklift's steering wheel and controls are visible in the foreground.

MAJOR ECONOMIC ENGINE

\$200 BILLION IN TRADE, MILLIONS OF JOBS



THE GREEN PORT

POLB Strategic Plan

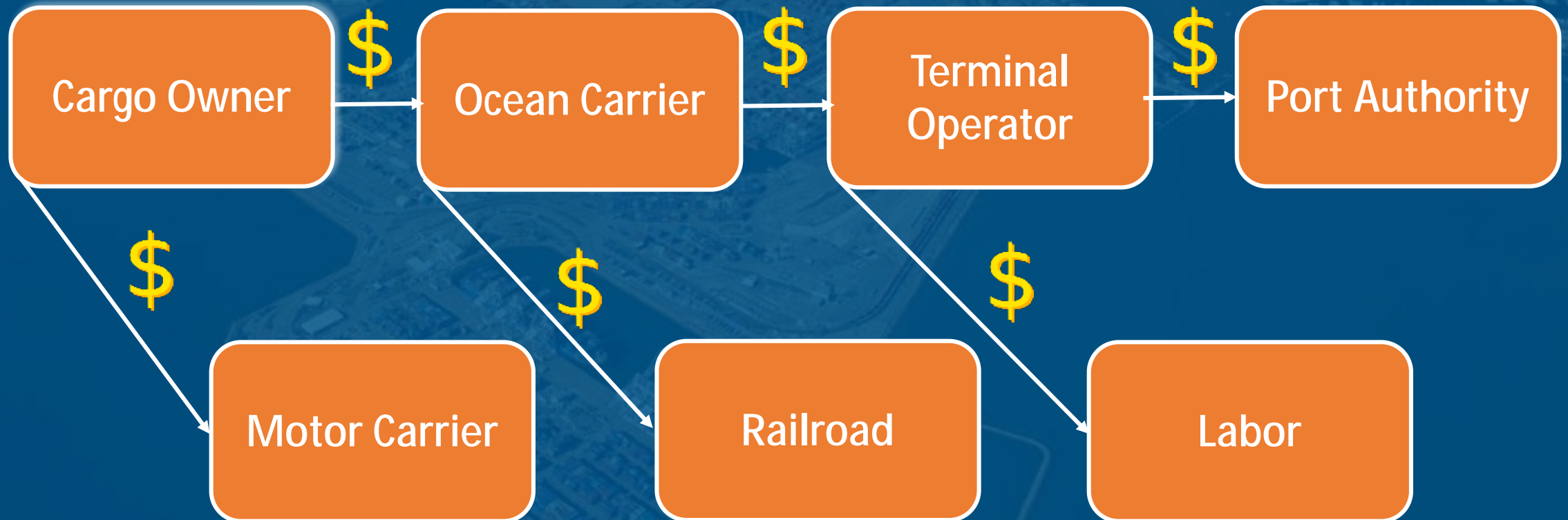
Goal #1: Strengthen the Port's competitive position through secure and efficient movement of cargo while providing outstanding customer service



A photograph of a port at dusk. In the foreground, a dolphin is swimming in the blue water. In the background, there are several large gantry cranes with red and white markings, and stacks of colorful shipping containers. The sky is a deep blue, and the overall scene is illuminated by the soft light of twilight.

OPERATIONAL EXCELLENCE

Complexity in the Supply Chain



Ocean Carrier Alliances



OCEAN
Alliance



2M+H+Z
Alliance



THE Alliance



Independent
Carriers



Port's Role in Optimizing Operations

- Facilitating communication and collaboration
- Enabling innovation and information-sharing
- Enhancing velocity and reliability
- Creating value for the end-user

Port Efficiency Overview

Tenant Services and Operations Division | December 17, 2018



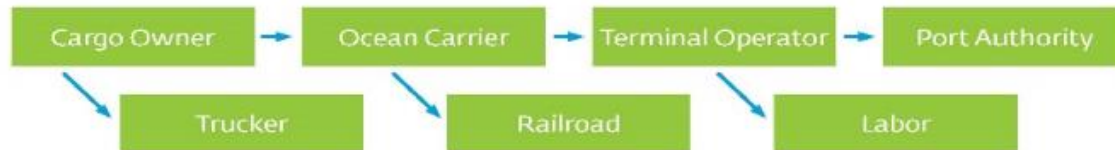
CUSTOMER NEEDS

- Speed
- Reliability
- Cost

CURRENT ISSUES

- PierPass 2.0 launch
- Free Time & Demurrage
- Chassis Provisioning
- Container Delivery
- Cargo information access
- Rail transfer between terminal and railroads

SUPPLY CHAIN RELATIONSHIPS



DECISIONS

(Cargo owner)

- Origin inland to port
- Origin port
- Ocean carrier
- Destination port
- Port to destination inland point
- Trucker

DECISIONS

(Ocean carrier)

- Subject to cargo owner input:
- Origin inland to port
 - Origin port
 - Destination port
 - Port to destination inland point
 - Railroad

DECISIONS

(Terminal operator)

- Origin inland to port
- Lease concession with port authority
- Labor

LANDLORD PORT – ROLE & CHALLENGES

- Transfer of cargo between water & land
- Building Infrastructure & Facilitating process improvement
- Rail Challenges: Terminal work rules, Class 1s train scheduling
- Terminals Challenges: Chassis & export empties on terminal

SOLUTIONS

- Optimizing terminal gate hours
- Maximizing cargo availability
- Reducing cargo dwell time
- Optimizing chassis availability to truckers/cargo owners
- Maximizing the terminal cargo delivery capabilities

KPIs

- Truck turn time
- Truck dual transactions
- Terminal dwell Time
- Chassis availability
- Highway congestion

NEXT STEPS

- Form team
- Prioritize
- Flow chart issues
- Lead meeting with supply chain

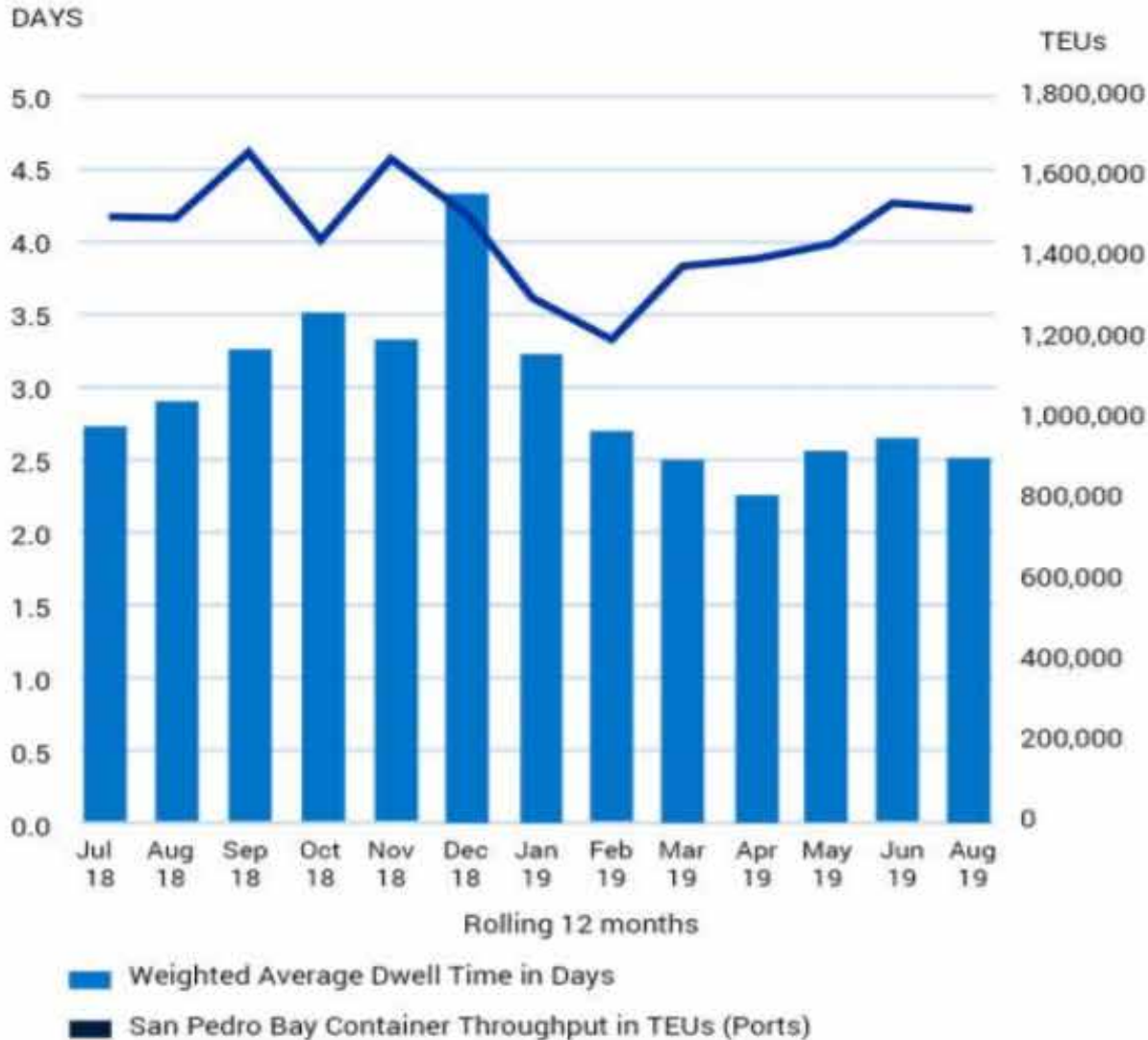
Challenges



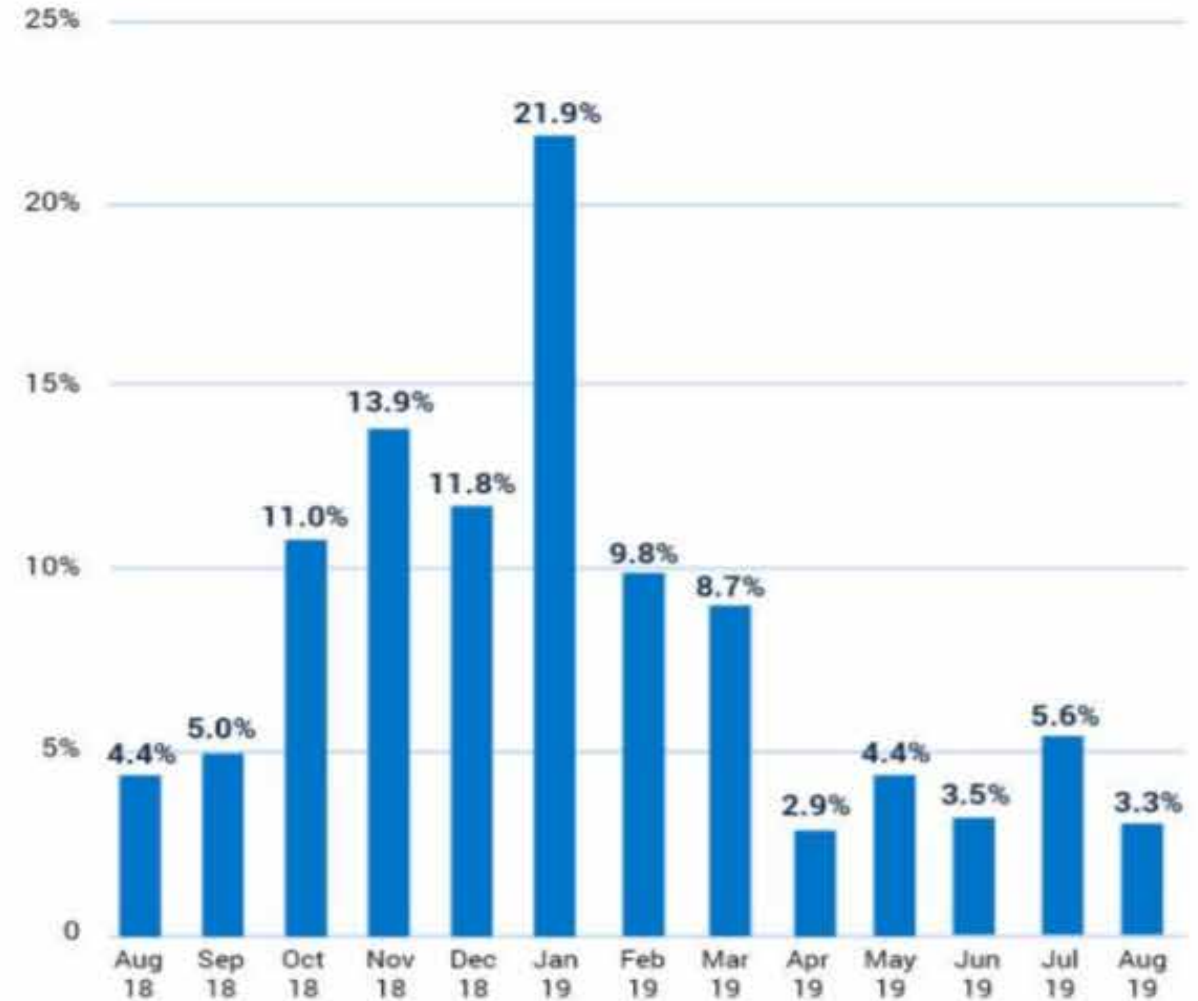
- **Truck Appointments**
 - Terminal operators: missed appointments
 - Cargo owners (trucking companies): appointment availability
 - Ocean carriers: repositioning of empties
- **Chassis Availability**
 - Dislocation
 - Repositioning



San Pedro Bay Weighted Average Inbound Laden Container Dwell Time in Days



Dwell Time in Days % > 5 Days



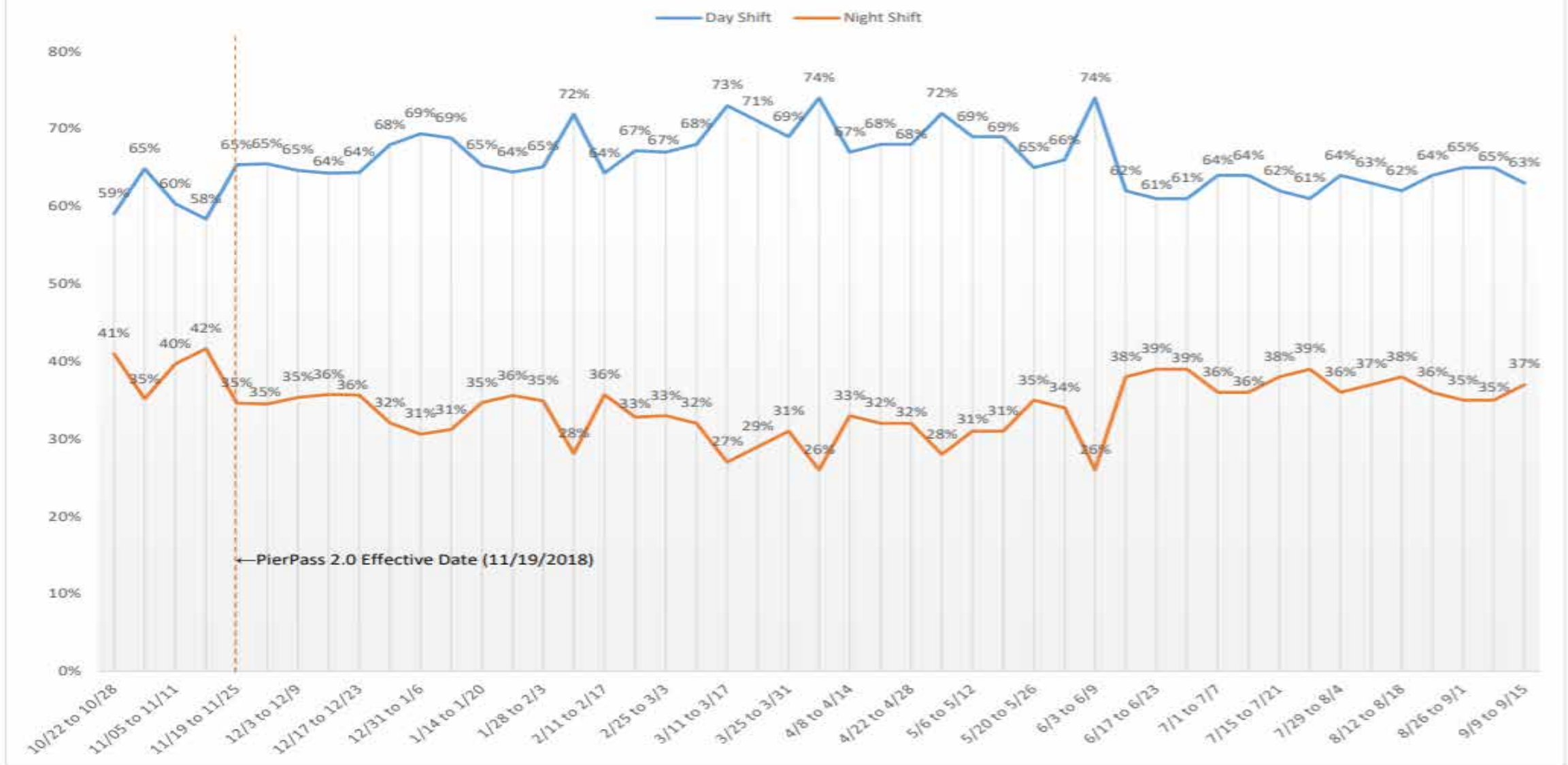
Truck Mobility Visit Times
The Port of Long Beach and San Pedro Bay
October 22nd 2018 through September 15th 2019



* HTA Truck Mobility Data powered by GeoStamp

* Data includes queue time

Port of Long Beach Percentage of Moves by Shift and by Week October 22nd 2018 through September 15th 2019



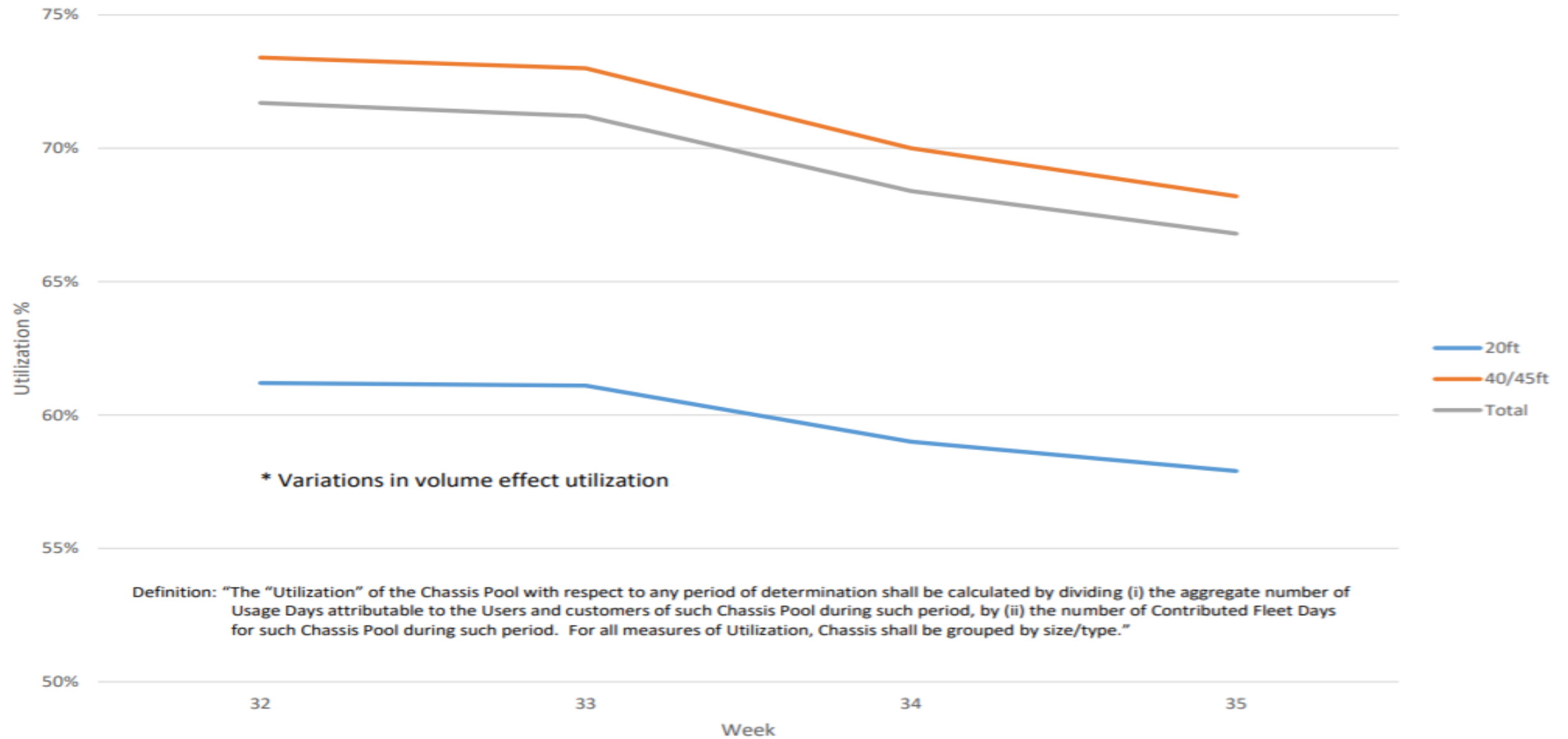
* Data provided by Tetra Tech



San Pedro Bay Chassis Provision

- “Pool of Pools” model commenced operation in March 2015
- 3 participating IEPs: DCLI, FLEXI-VAN and TRAC
- 67,500 “interoperable” chassis as of Q1 2019
- 18 Start/Stop locations: MTOs, R/Rs and PCMC

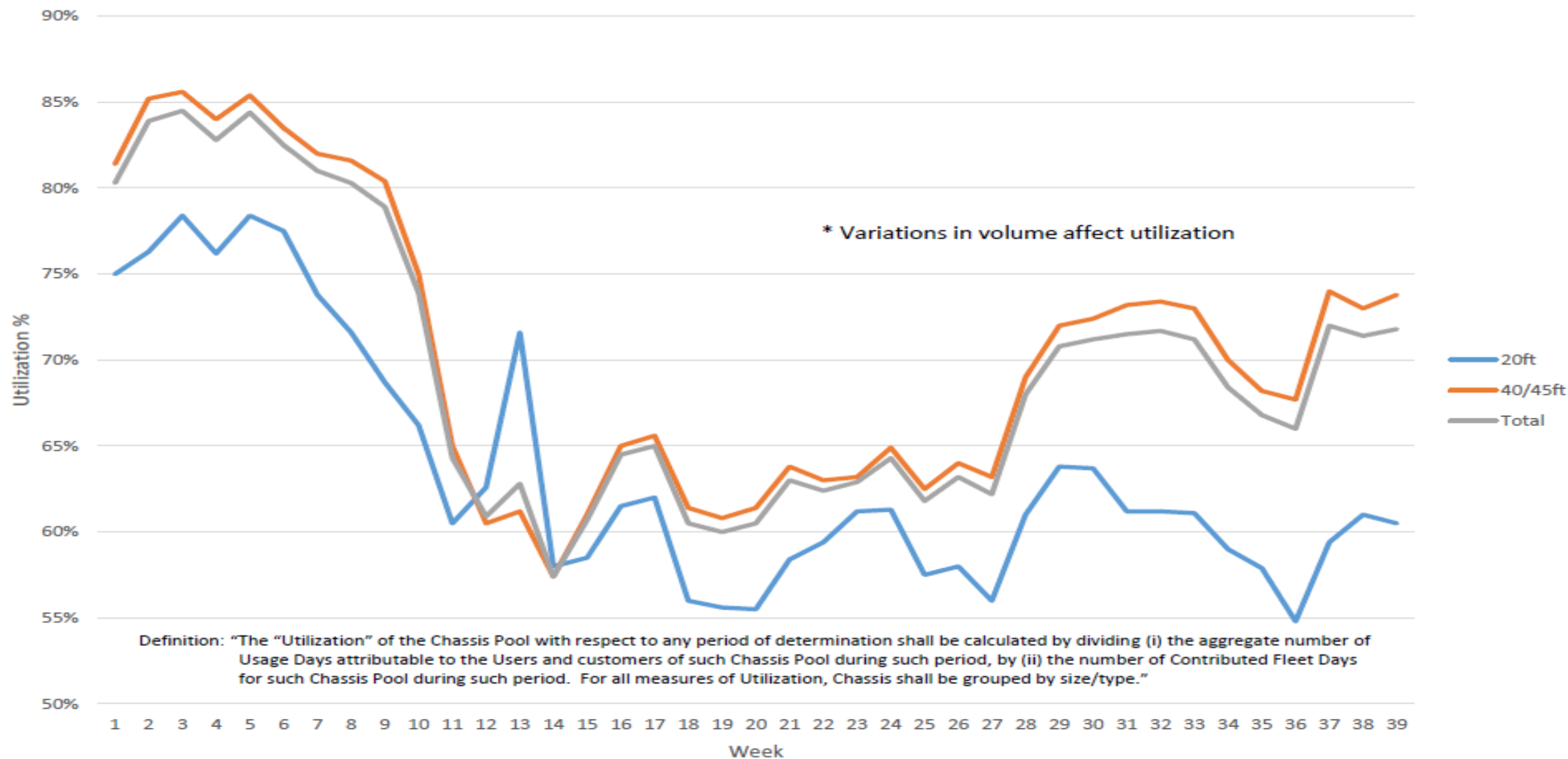
Pool Of Pools
Weekly Chassis Utilization Metrics
August 4th through 31st 2019
August 2019



Pool Of Pools

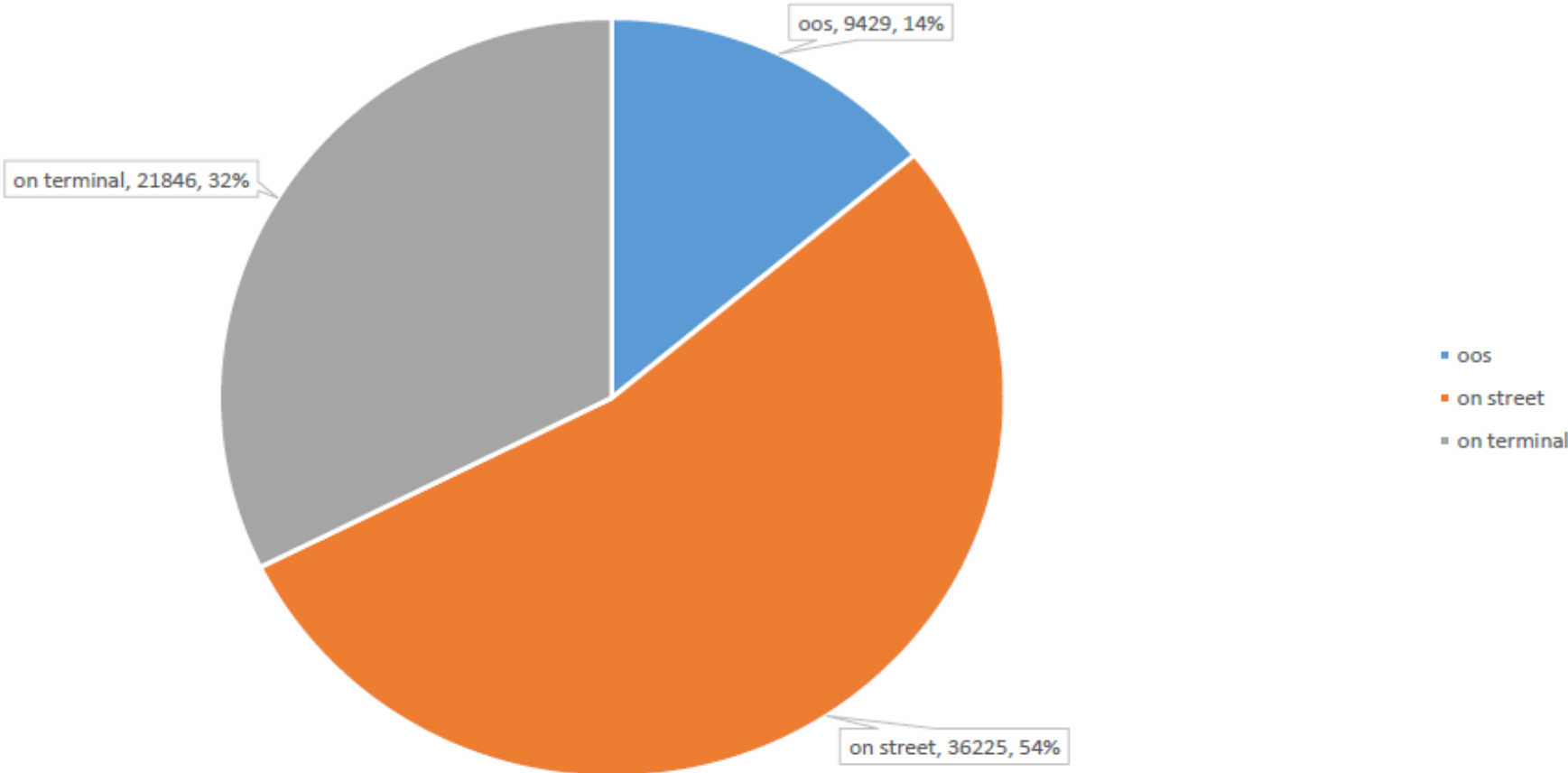
Weekly Chassis Utilization Metrics

December 30th 2018 through September 28th 2019



Pool Of Pools
Chassis on Port & Rail Terminals
Week 38 2019
September 15th through 21st 2019

Total Chassis Fleet is 67, 500



TECHNOLOGY



Technology and process improvements to strengthen port competitiveness

- Reduce friction
- Standardization and interoperability
- Data exchange, information visibility and predictability



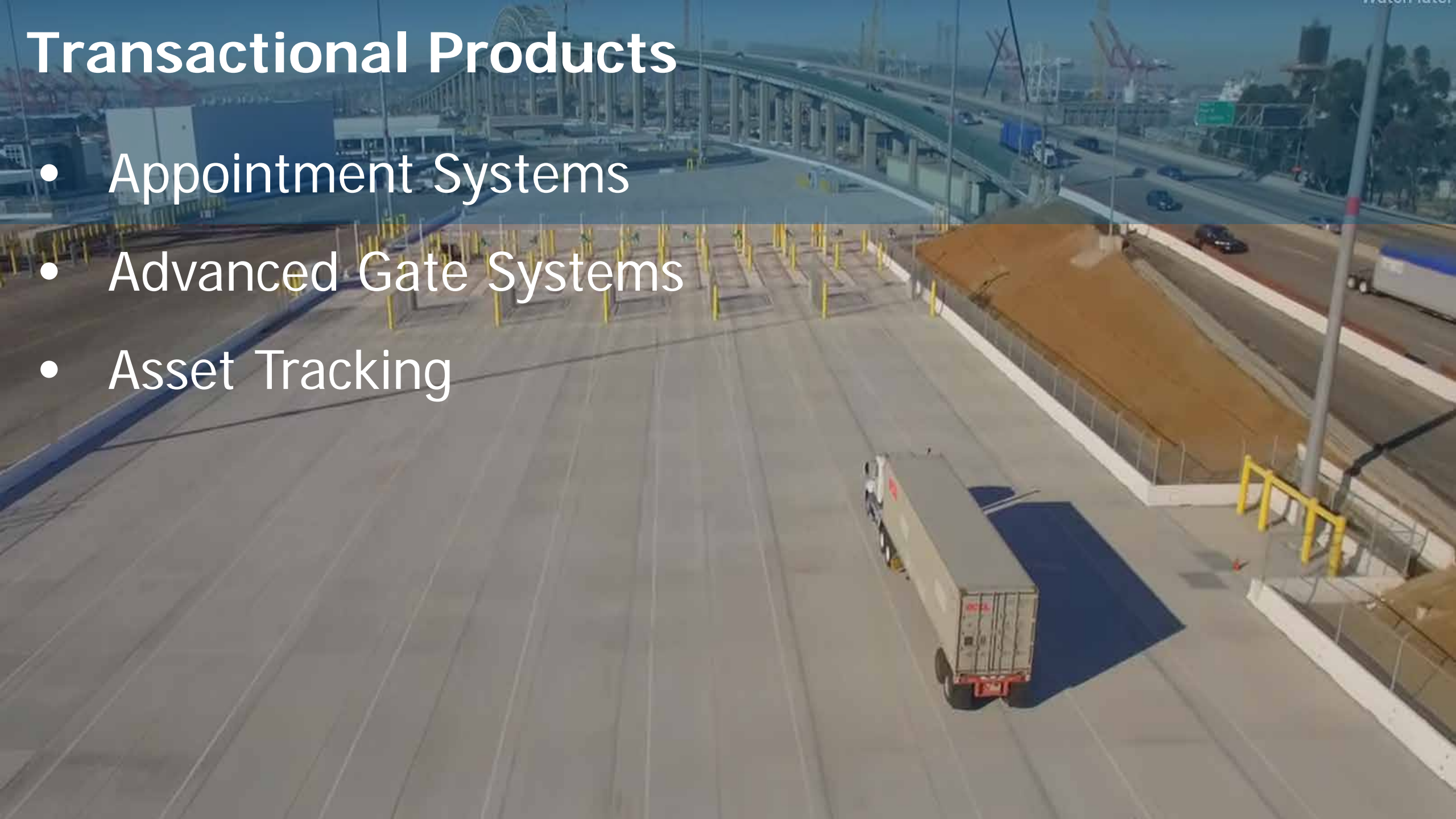
Digitization in Port Operations

- Transactional Products: How fast can we move containers through the gate?
- Visibility Products: Where is my box and when can I get it?



Transactional Products

- Appointment Systems
- Advanced Gate Systems
- Asset Tracking



Visibility Products

- GE Port Optimizer
- Maersk TradeLens
- Predictive Availability



Application Programming Interfaces

- **Automatic creation of appointments** as soon as containers become available,
- **Automatic cancellation of appointments** that cannot be kept allowing for that time slot to be made available to other truckers
- **Automatic grouping of appointments** to facilitate dual transactions.

THANK YOU



Dr. Noel Hacegaba

Deputy Executive Director

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Setting the Stage

Keynote: The Global Supply Chain, Yesterday, Today, and Tomorrow

Sam Ruda, Director, Port Authority of New York & New Jersey



Port of New York
& New Jersey

FDRA

The Global Supply Chain

October 28, 2019

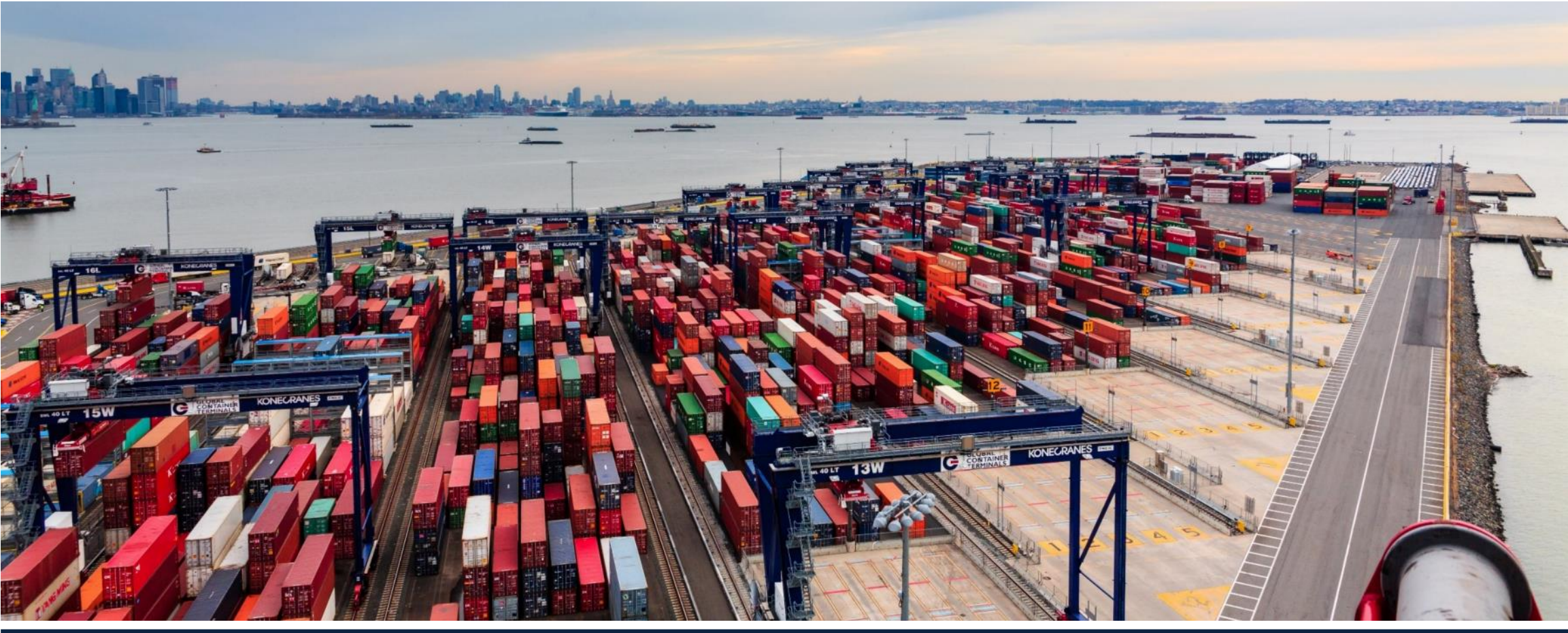
Long Beach, California



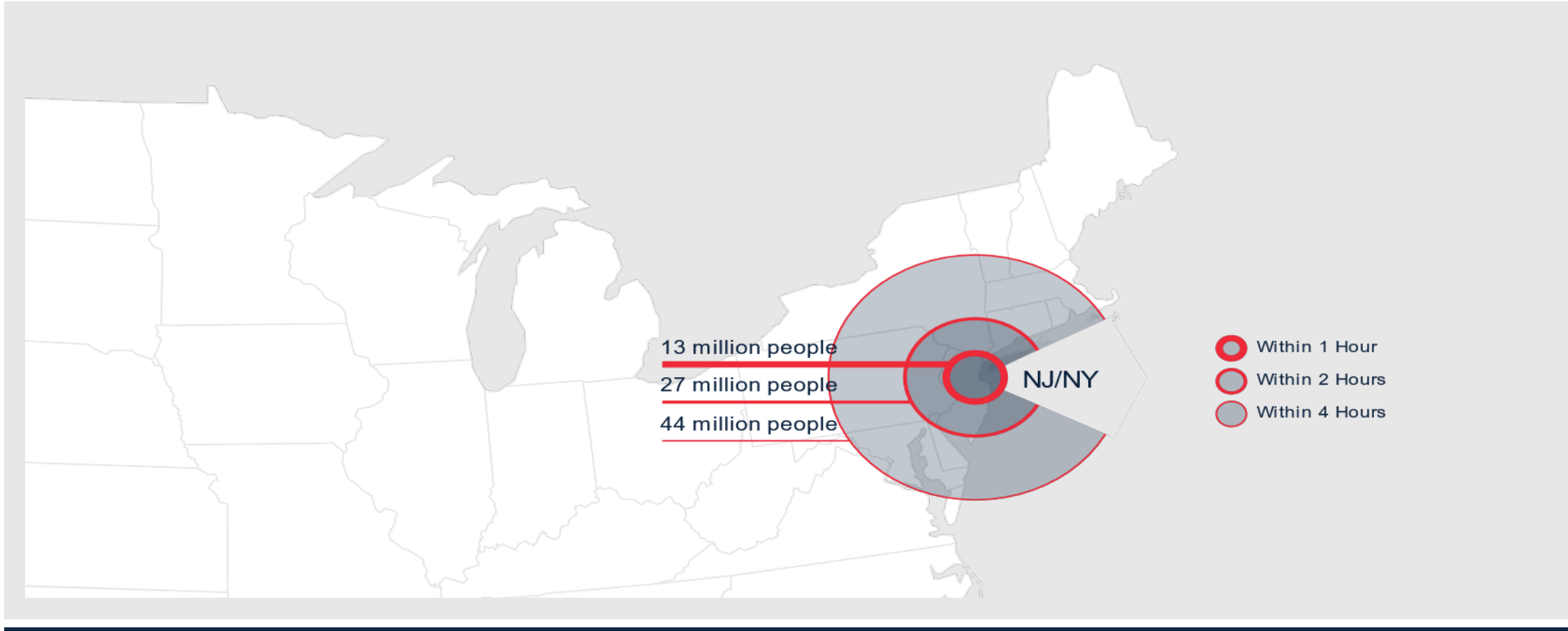
Discussion Topics for PANY&NJ

- § Brief Updates from PANY&NJ
- § Bayonne Bridge Project: Status and Impacts
- § Late Gate, Weekend Hours: Pros and Cons
- § Demurrage: Impacts on Terminal Operations
- § Tariffs: Impacts on Port Activity

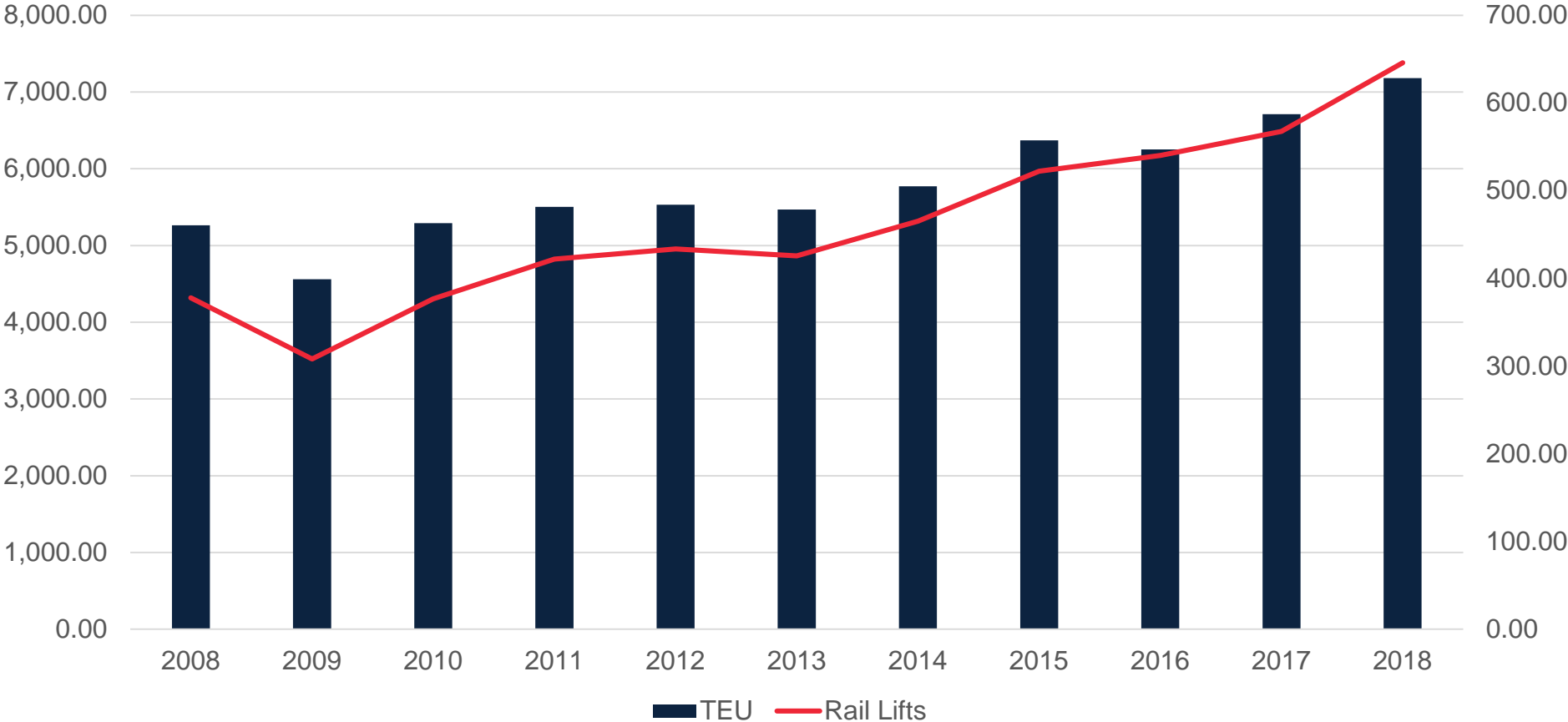
Largest East Coast port. 2nd largest in the U.S.



44 million consumers within a 4-hour drive

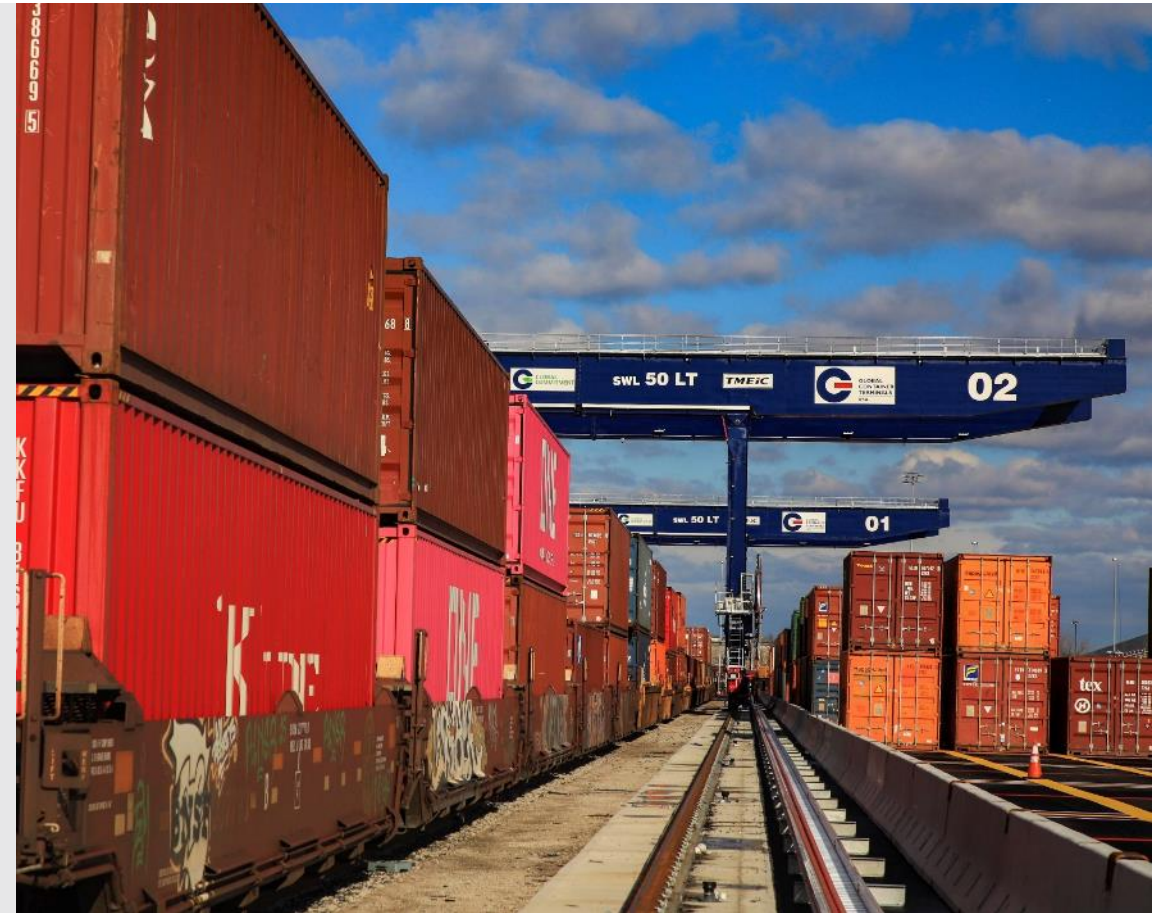


Container throughput (in thousand units)



1.5 million annual rail lift capacity

- Four on-dock ExpressRail facilities serving all six marine terminals.
- ExpressRail Elizabeth, Newark, Staten Island and Port Jersey.
- ExpressRail Port Jersey at GCT Bayonne completed in 2019.
- Connection to three Class I railroads, CSX, Norfolk Southern, and CN (Eastern Canada)



Phased Rail Network improvement

PHASE 1 (2004-2008)

\$25 million in Port Authority Funds
\$39.1 million in Conrail Funds

- Strategic double-tracking and interlocking improvements.
- Improved connections to mainline networks.

PHASE 2 (2016-2020)

\$38 million in Port Authority Funds
\$21 million in Conrail Funds

- Capacity and staging improvements to support Greenville Yard ICTF.
- Waverly Loop (2) approximately 10,000' track lengths, additional entrance/exit into Port Newark and additional staging, 2020 completion.
- Raff tracks (2) 5200 feet of staging tracks, 2019 completion.

PHASE 3 (2020-Beyond)

ExpressRail Elizabeth Southbound Connector "Wye."
Additional staging tracks at Raff Yard.

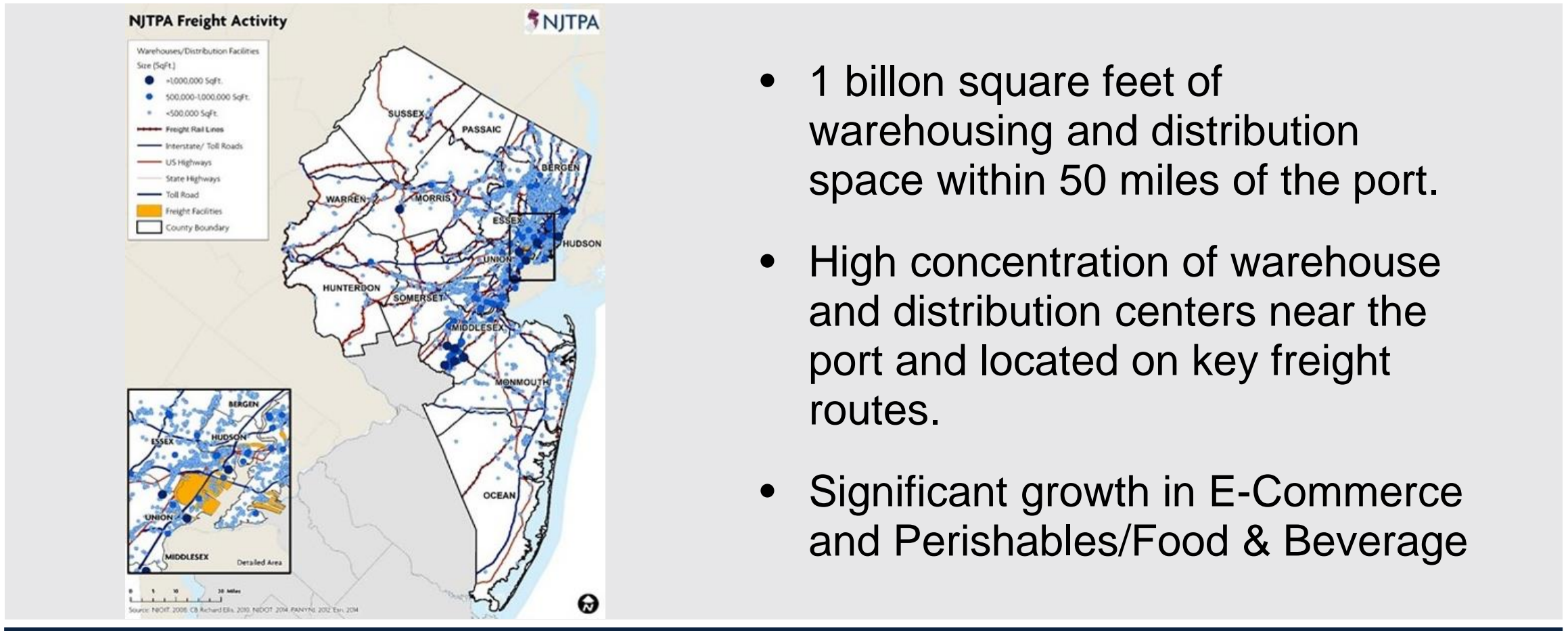
2018 Staging and Fluidity Study Preliminary Recommendations

Additional Raff
Staging Tracks

ExpressRail Elizabeth
Southbound Connector

Improved AKLB
Operating Rules

1 billion square feet of warehousing and distribution space

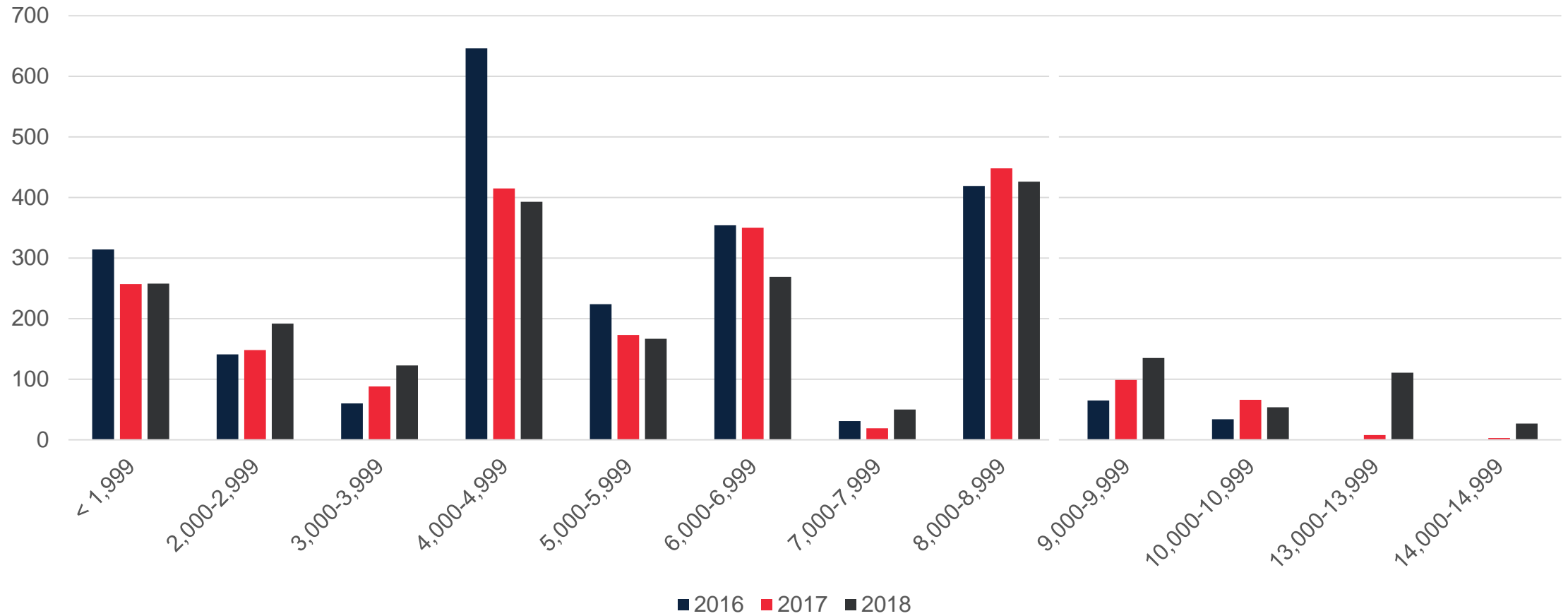


215-foot Bayonne Bridge Impacts

- Mix of vessel types calling Port is evolving
- Increased access by ultra large container vessels between 10,000-18,000 TEU
- Not seeing Port consolidation (yet) on East Coast
- Commenced “New Start” Study with Army Corps



Vessel calls by class



Late Gates/Weekend Gates: Pros & Cons

- § Weekend gates and late gates happening today, but terminal specific
- § Generally in response to “events” including holidays and response to weather
- § Not a Collective Bargaining issue
- § Efficient means to add capacity
- § Response to strong intermodal growth
- § There is a cost
- § Also requires coordination with CBP

Tariff Impacts YTD

- § Top Line impacts have been limited (thus far)
- § Some shifts in seasonality attributable to “go live” dates for tariffs
- § Share declines from China, but this pre-dates the start of tariffs
- § Too early to tell on Europe tariffs that were effective 10/18/19
- § Cargo mix for exports has moderately changed but not declined in the aggregate
- § Strong interest in FTZ Applications

Foreign Trade Zone No.49

- Port of NY and NJ is located in Foreign Trade Zone No.49.
- Zone users total 81, including:
 - Warehouses/distribution centers.
 - Processing and assembly/manufacturing.
 - Crude oil importing and refining.





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www.portnynj.com



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Setting the Stage

Keynote: Brimstone or Hellfire? How lowering sulphur will impact the future of sustainable shipping

Takashi Masuda, *SVP Marketing and Commercial, Ocean Network Express (ONE)*

Footwear Trade Distribution and Customs Conference 2019

AS ONE, WE CAN.

ONE

OCEAN NETWORK EXPRESS

Oct 28 2019

Takashi Masuda

Survey One:

What is ONE's market share in terms of Fleet Size?

Survey Two :

How much fuel is being consumed by the Global container ship fleet annually?

Survey Three:

How big is the financial impact of IMO2020 to the container shipping annually?

1. 17.9%

2. 12.2%

3. 6.7%

4. 2.8%

1. 70 million metric tons
2. 2 million metric tons
3. 275 million metric tons
4. 45 million metric tons

Disclaimer: All figures
guesstimates based on
various published data

Disclaimer: All figures
guesstimates based on
various published data

1. usd14 billion
2. usd21 billion
3. usd100 billion
4. Usd1.3 billion

- " Introduction ONE
- " IMO 2020 Recap
- " IMO2020 Preparations
 - Operations
 - Investments
- " Summary : ONE Approach
- " Q & A



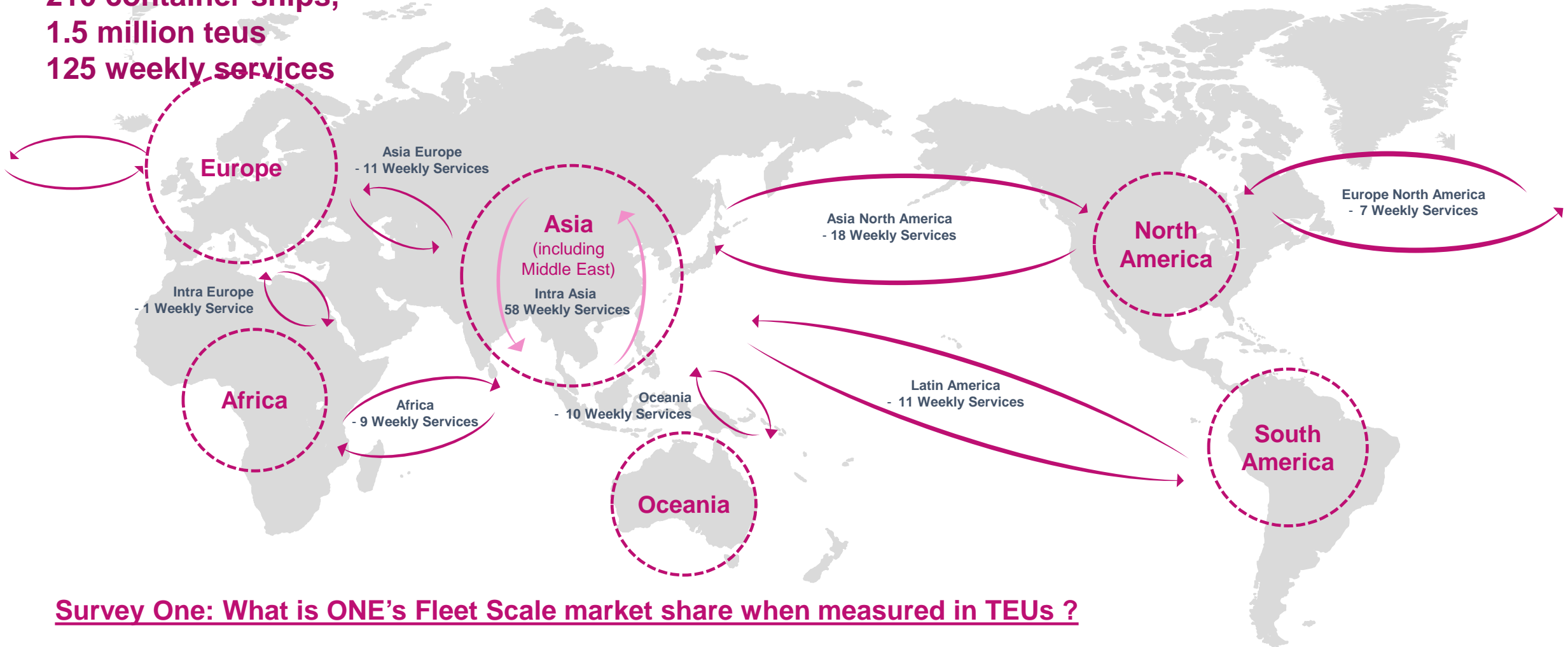


Company Profile

- Tradename
OCEAN NETWORK EXPRESS PTE. LTD.
- CEO
Jeremy Nixon
- Global Head Quarters
- Republic of Singapore
- 5 Regional Head Quarters
 - North America (Richmond , VA) 
 - South America (Sao Paulo, Brazil)
 - Europe (London , UK)
 - East Asia (Hong Kong)
 - South East Asia (Singapore)
- Date of Establishment*
July 7th, 2017

**Date of Establishment* in this section refers to the date MOL and “K” Line add their investment to the new company. Company registration was done earlier on March 27, 2017, with NYK as the initial investor based on the terms of the business integration agreement.

ONE Global Operations
210 container ships,
1.5 million teus
125 weekly services



Survey One: What is ONE's Fleet Scale market share when measured in TEUs ?

1. 17.9%

2. 12.2%

3. 6.7%

4. 2.8%

Disclaimer: All figures
guesstimates based on
various published data

1. 17.9% Maersk
2. 12.2% Cosco Group
3. 6.7% ONE
4. 2.8% Yang Ming

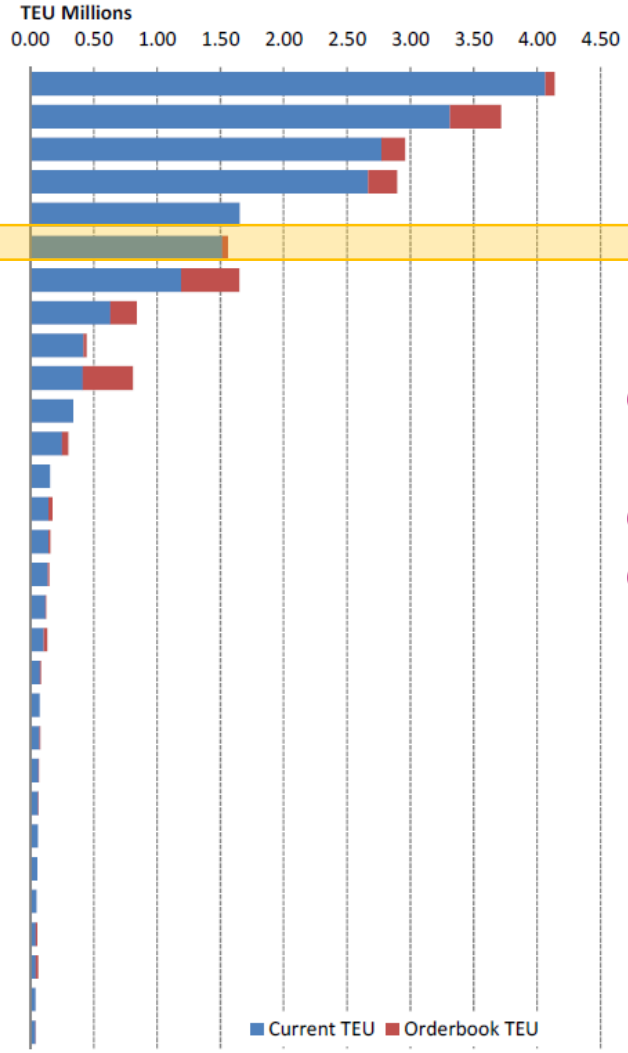
Disclaimer: All figures
guesstimates based on
various published data

ONE Fleet Scale (6.7%)

As of 1 January 2019

Top 30 Carriers

Rank	Operator	Total existing		Owned		Chartered			Orderbook			Market Share
		TEU	Ships	TEU	Ships	TEU	Ships	% Chart.	TEU	Ships	O/E %	
1	APM-Maersk	4,065,468	714	2,275,403	312	1,790,065	402	44%	73,606	6	2%	17.9%
2	MSC	3,312,944	523	1,092,542	194	2,220,402	329	67%	403,552	23	12%	14.6%
3	COSCO Group	2,771,792	463	1,372,407	162	1,399,385	301	50%	186,224	15	7%	12.2%
4	CMA CGM Group	2,664,669	508	1,015,326	129	1,649,343	379	62%	232,500	20	9%	11.7%
5	Hapag-Lloyd	1,651,855	230	1,047,266	112	604,589	118	37%	0	0	0%	7.3%
6	ONE	1,514,913	216	565,924	76	948,989	140	63%	42,156	3	3%	6.7%
7	Evergreen	1,191,872	200	588,042	118	603,830	82	51%	457,968	72	38%	5.2%
8	Yang Ming	631,978	97	187,835	41	444,143	56	70%	208,330	24	33%	2.8%
9	PIL	418,298	131	230,265	95	188,033	36	45%	24,446	3	6%	1.8%
10	HMM	412,971	70	129,439	14	283,532	56	69%	396,000	20	96%	1.8%
11	Zim	337,338	69	19,300	4	318,038	65	94%	0	0	0%	1.5%
12	Wan Hai	250,249	93	168,620	70	81,629	23	33%	48,744	20	19%	1.1%
13	IRISL Group	154,415	50	96,383	46	58,032	4	38%	0	0	0%	0.7%
14	Antong (QASC)	145,820	122	111,138	62	34,682	60	24%	27,232	20	19%	0.6%
15	KMTC	143,064	64	59,894	28	83,170	36	58%	14,400	8	10%	0.6%
16	Zhonggu Logistics	138,480	100	90,353	36	48,127	64	35%	11,448	6	8%	0.6%
17	X-Press Feeders	120,272	79	32,302	24	87,970	55	73%	5,564	2	5%	0.5%
18	SITC	107,499	79	73,912	54	33,587	25	31%	25,533	12	24%	0.5%
19	TS Lines	75,617	34	9,555	5	66,062	29	87%	8,000	6	11%	0.3%
20	SM Line	74,810	18	58,201	13	16,609	5	22%	0	0	0%	0.3%
21	Arkas / EMES	73,390	45	63,545	40	9,845	5	13%	6,200	2	8%	0.3%
22	Sinotrans	65,153	40	25,507	17	39,646	23	61%	1,140	1	2%	0.3%
23	RCL	62,930	32	30,959	23	31,971	9	51%	3,336	2	5%	0.3%
24	Sinokor	60,408	48	33,519	29	26,889	19	45%	0	0	0%	0.3%
25	Salam Pacific	53,208	53	53,208	53	0	0	0%	0	0	0%	0.2%
26	Emirates Shg	49,230	10	0	0	49,230	10	100%	0	0	0%	0.2%
27	Matson	43,561	27	38,198	21	5,363	6	12%	9,120	3	21%	0.2%
28	Swire Shg	42,836	26	30,644	19	12,192	7	28%	20,524	8	48%	0.2%
29	NileDutch	39,989	15	0	0	39,989	15	100%	0	0	0%	0.2%
30	Grimaldi (Napoli)	39,823	36	39,823	36	0	0	0%	1,800	6	5%	0.2%



ONE ranks #6 of top 30 carriers
Market Share: 6.7%
Operating fleet: 216 Containerships
Operating Capacity: 1.51 Million teus

Source: Alphaliner Monthly Monitor January 2019

" IMO 2020 Recap

Recap :

The International Maritime Organization (IMO) will regulate Ocean Carriers to limit the sulphur content of emissions from fuel oil in open waters to be less than 0.5% starting Jan 1, 2020. It is 3.5% in open waters and 0.1% in Emission Control Areas (ECA zones) today.

Methods available :

1. Change fuel from High Sulphur Fuel Oil to Low-Sulphur Fuel Oil or Low Sulphur Gas Oil
2. Install Exhaust Gas Cleaning Systems(Scrubbers)
3. Use new alternative fuel Engines that comply such as LNG(Liquefied Natural Gas), Methanol etc.



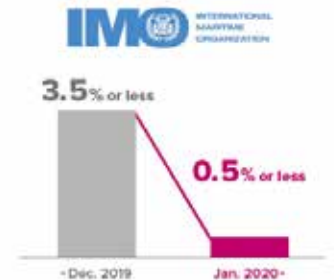
Q. What is "2020 Global Sulphur Limit"?

2020 Global Sulphur Limit is to be implemented to improve major health and environmental benefits for the world, particularly for populations living close to ports and coasts, by drastically reducing the amount of sulphur oxide emitting from ships.

International Maritime Organization (IMO) is a specialised agency of the United Nations, responsible for safety and security of the shipping industry and regulating maritime pollution of ships.

IMO has set regulation to limit sulphur content in fuel oil to less than 0.5%, which will take effect from 1 January 2020. Current global limit for sulphur content in fuel oil is 3.5%.

The International Convention for the Prevention of Pollution from Ships (MARPOL) is the main international convention covering prevention of pollution of the marine environment by ships from operational or accidental causes and is divided into six Annexes. [1]



Q. How will the industry deal with "2020 Global Sulphur Limit"?

Various business partners of shipping companies such as shipyards, manufacturers, bunker suppliers and refineries are fully aware of this regulation and are preparing and developing compliant equipment and oil.

[Click for PDF brochure](#)

Enforcement/Penalties for non compliance:

- Ø Policies and penalties set by each Port State
- Ø No set global penalties.
- Ø Industry hope is focus will be on enforcement of compliance without disruption to services.
IE minimize disruption to vessel operations while controlling emission levels.



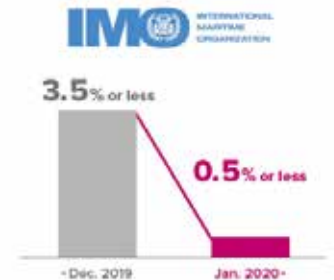
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[Click for PDF brochure](#)

" IMO2020 Preparations

Operations

Investments

Operational Preparations : Burning a different fuel

Step 1: Fuel Switch Tank Preparation

Tank preparation method determined by the Owner of the vessel (Various)

Ø *Manual Cleaning*

Physical cleaning of fuel oil storage tank.



Ø *Maximize use of HSFO , pump LSFO for use*

No preparation required .

Ø *LSGO Flushing*

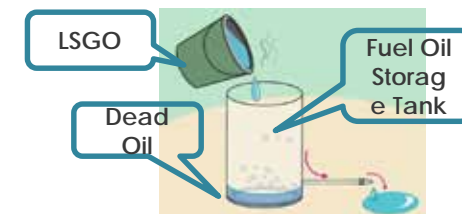
Flush dead oil by LSGO for all tanks. LSGO amount is based on the calculation.

Dead oil : Un pumpable oil

Ø *Sequential Dilution*

Dilute the dead oil by LSGO or ULSFO for multiple tanks.

Calculate the sulphur content based on the volume of oil.



Operational Preparations : Burning a different fuel

Step 2: Preparing a Operational Schedule

Operational Schedule determined by the Charterer (ONE)

Last HFO Bunker

Last HFO bunker shall be taken according to following rules.

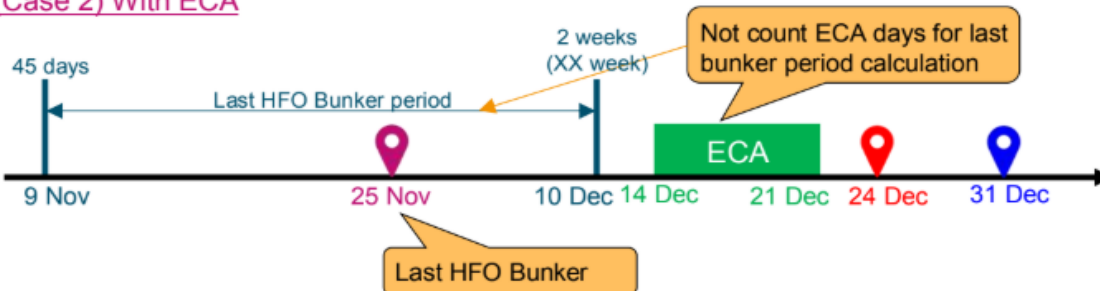
- 1) Last HFO bunker shall be taken at standard bunker port between 45 days and "XX" weeks before "HFO used deadline". "XX" weeks is 2, 3 and more weeks and it is subject to service. ECA period shall not be counted when you calculate last HFO bunker period.

📍 : Standard Bunker Port 📍 : Available Bunker Port 📍 : "Target Change Over Date" 📍 : "HFO used deadline"

(Case 1) No ECA



(Case 2) With ECA

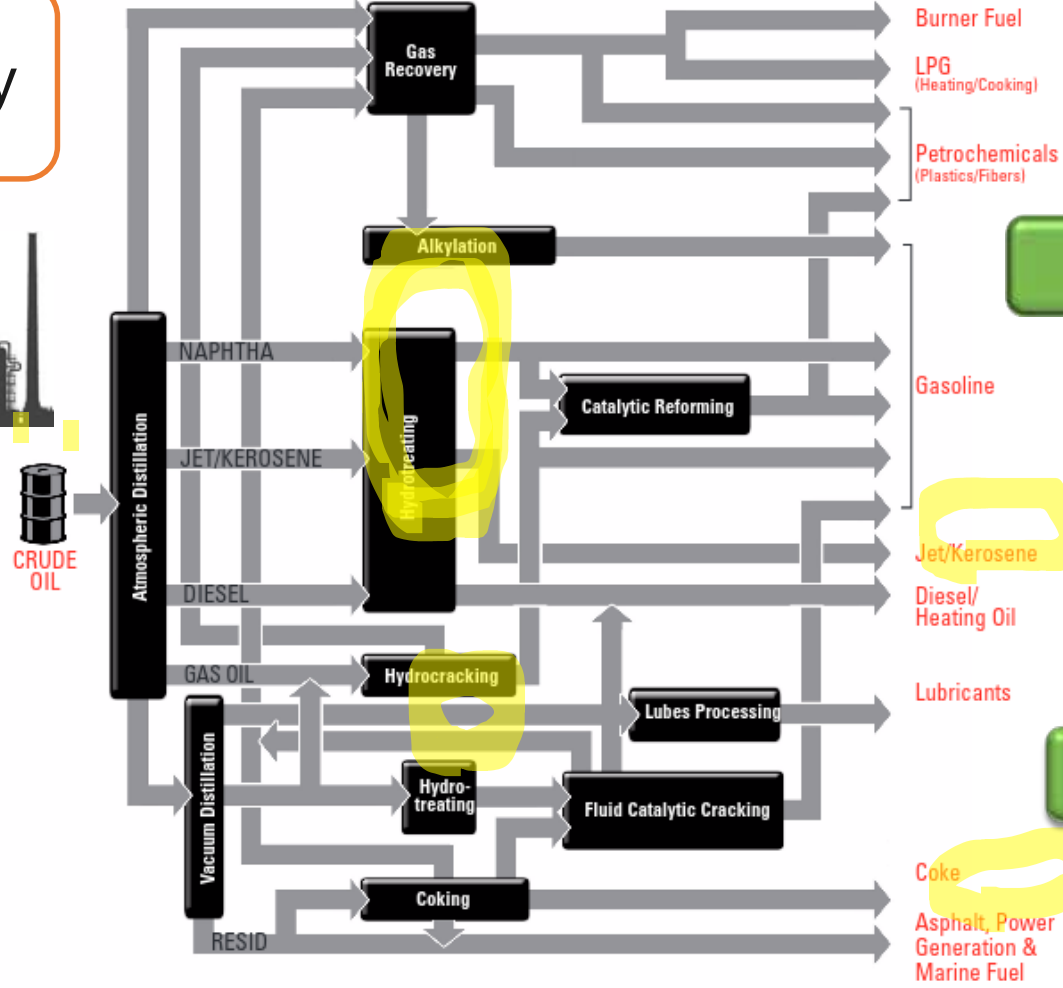


- *Plan for all 200+ ONE vessels*
- *Fuel availability varies by port*
- *No HSFO on board by March 2020*

Operational Preparations : Burning a different fuel

Step 3: Procurement of LSFO Various sources

Refinery



Traders / Independents

DISTILLATES

Straight Run
 • ULSGO(S: 0.1%)
 • VLSGO(S: 0.5%)

Straight Run
 • VLSFO(S: 0.5%)

RESIDUALS

Straight Run HSFO
 • (S: 3.5%)

Blends



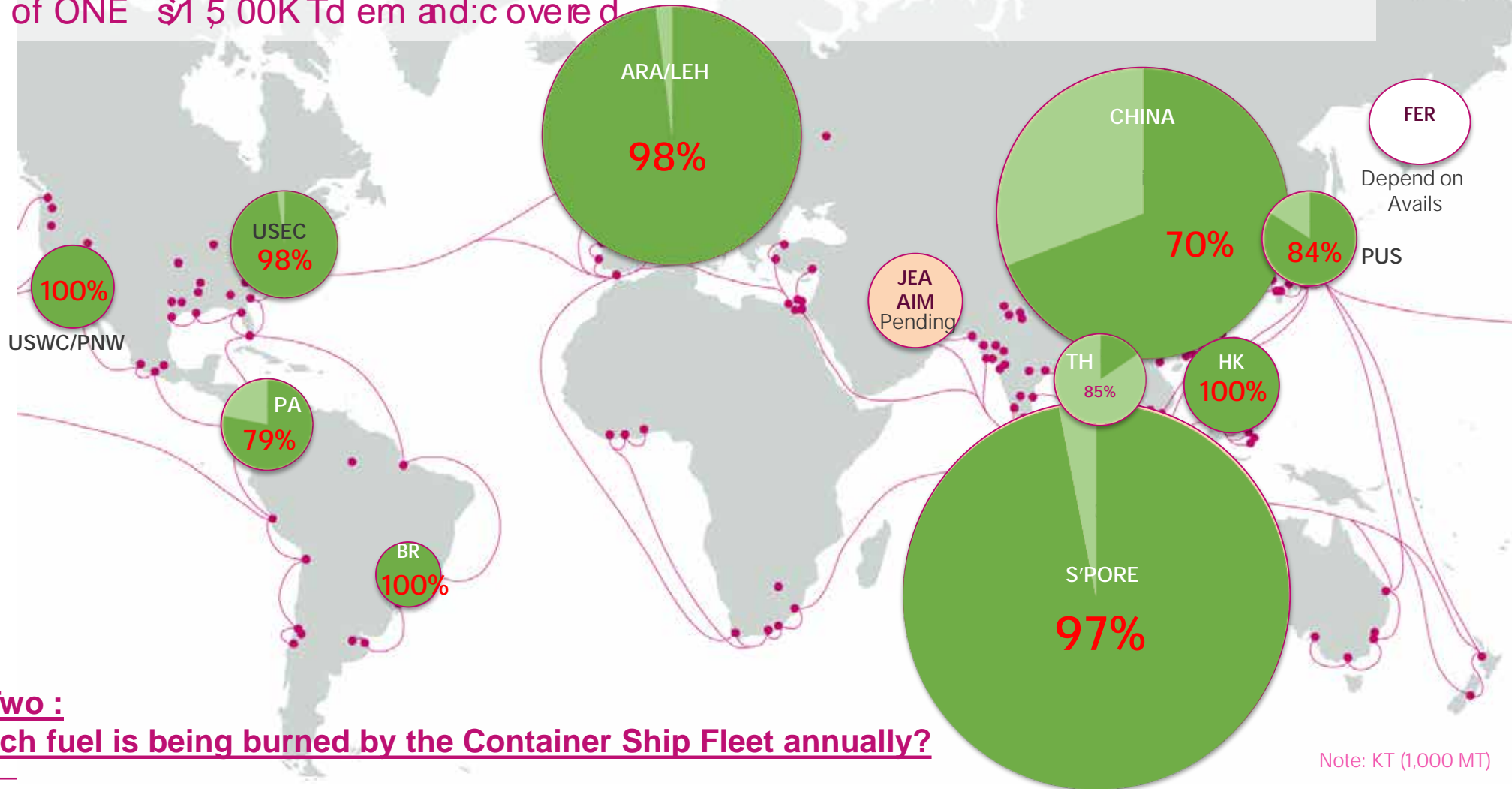
Blending
 (GO + LCO + HSFO)
 • VLSFO(S: 0.5%)

Blending (GO + HSFO)
 • VLSFO(S: 0.5%)

Operational Preparations : Burning a different fuel

Step 3: VSLFO(0.5%) Procurement 2019/4Q to 2020/1Q

- 87% of ONE \$1.500K Td em and:c over e d



Survey Two : How much fuel is being burned by the Container Ship Fleet annually?

Note: KT (1,000 MT)

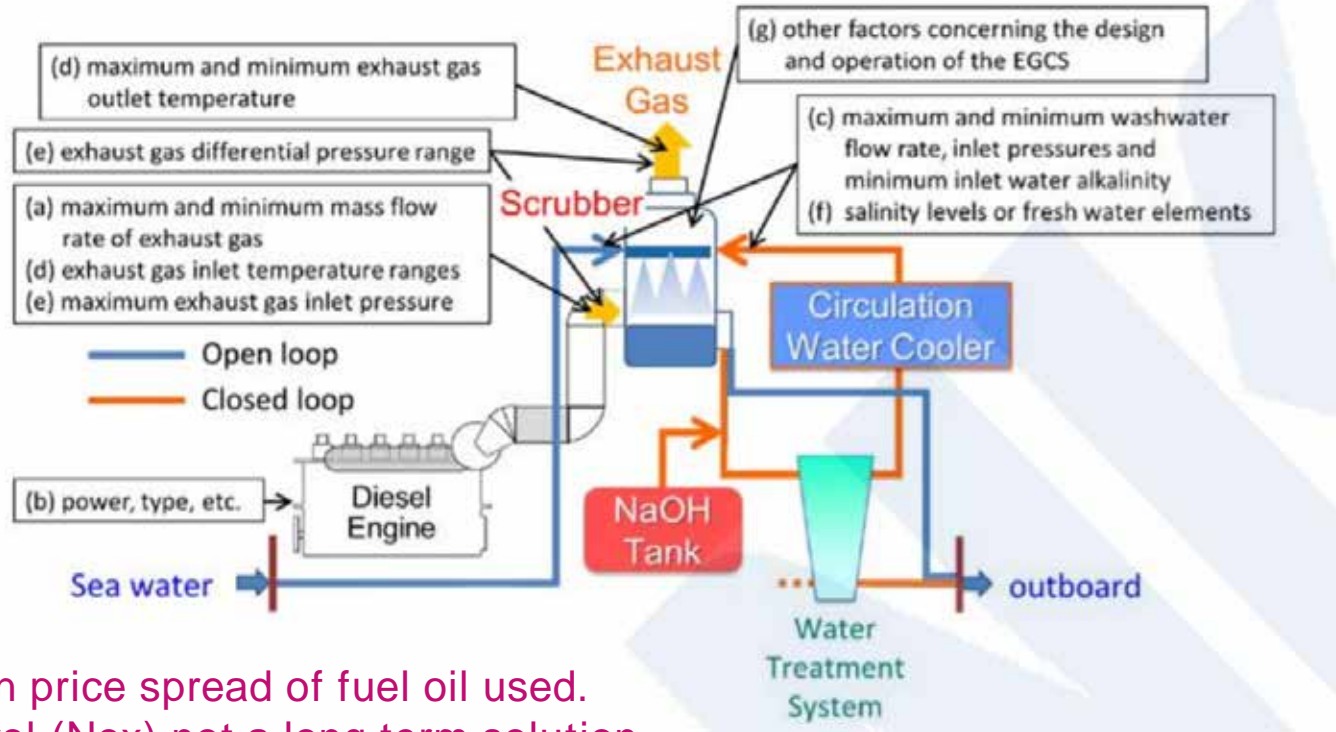
1. 70 million metric tons
2. 2 million metric tons
3. 275 million metric tons
4. 45 million metric tons

Disclaimer: All figures
guesstimates based on
various published data

1. 70 million metric tons @
2. 2 million metric tons LA/LBC
3. 275 million metric tons All ship types
4. 45 million metric tons Singapore

Disclaimer: All figures
guesstimates based on
some published data

Option 1: Exhaust Gas Cleaning Systems (Scrubbers)

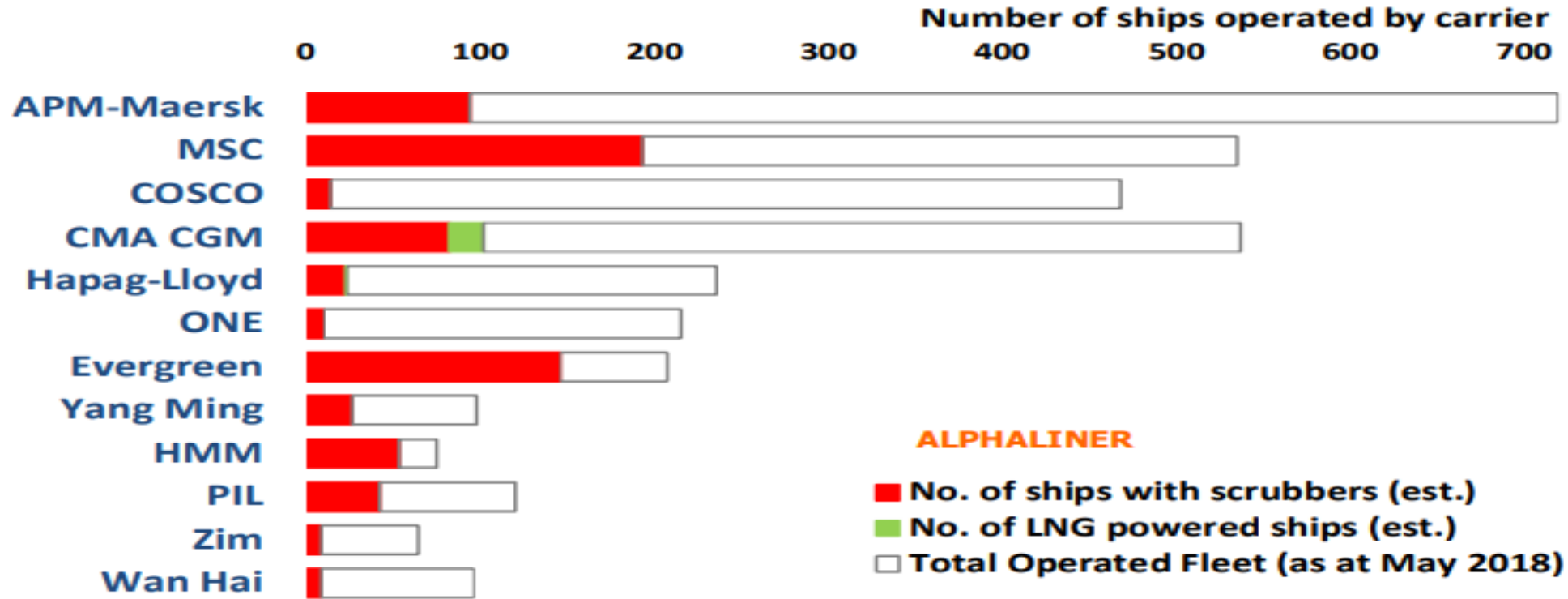


Economics based on price spread of fuel oil used.
For emissions control (Nox) not a long term solution

Illustration extracted from
Class NK Guidelines for Exhaust Gas Cleaning Systems v3.

Investment solutions: Landscape

Top 12 Carriers : Planned Scrubber/LNG units vs current Fleet



- Alpha Liner estimates including new builds shown above
- ONE will equip some vessels scrubbers using dry dock opportunities.
- Not a lot of vessels intending to using alternative fuel solutions at this moment.

*subject to change.

Survey Three:

What is the potential cost impact of IMO2020 to the container shipping industry?

1. usd14 billion
2. usd21 billion
3. usd100 billion
4. usd1.3 billion

Disclaimer: All figures
guesstimates based on
various published data

Disclaimer: Figures single
transactional estimates
based on various data

1. usd14 billion usd200/mt fuel differential
2. usd21 billion scrubber to existing vessels
3. usd100 billion engine conversion to LNG fuel
4. usd1.3 billion cost of Singapore
LNG terminal (4 mts/yr)

" Summary : ONE Approach

- ONE to be fully compliant
- ONE main solution to be switch of fuel
- Minimal disruptions to ONE vessel operations due to fuel switch
- ONE will continue to study alternative longer term solutions
- ONE will need to recover the incremental cost of compliance

*subject to change.