

Strictly Confidential

North America Rail Intermodal

November 2010

APL



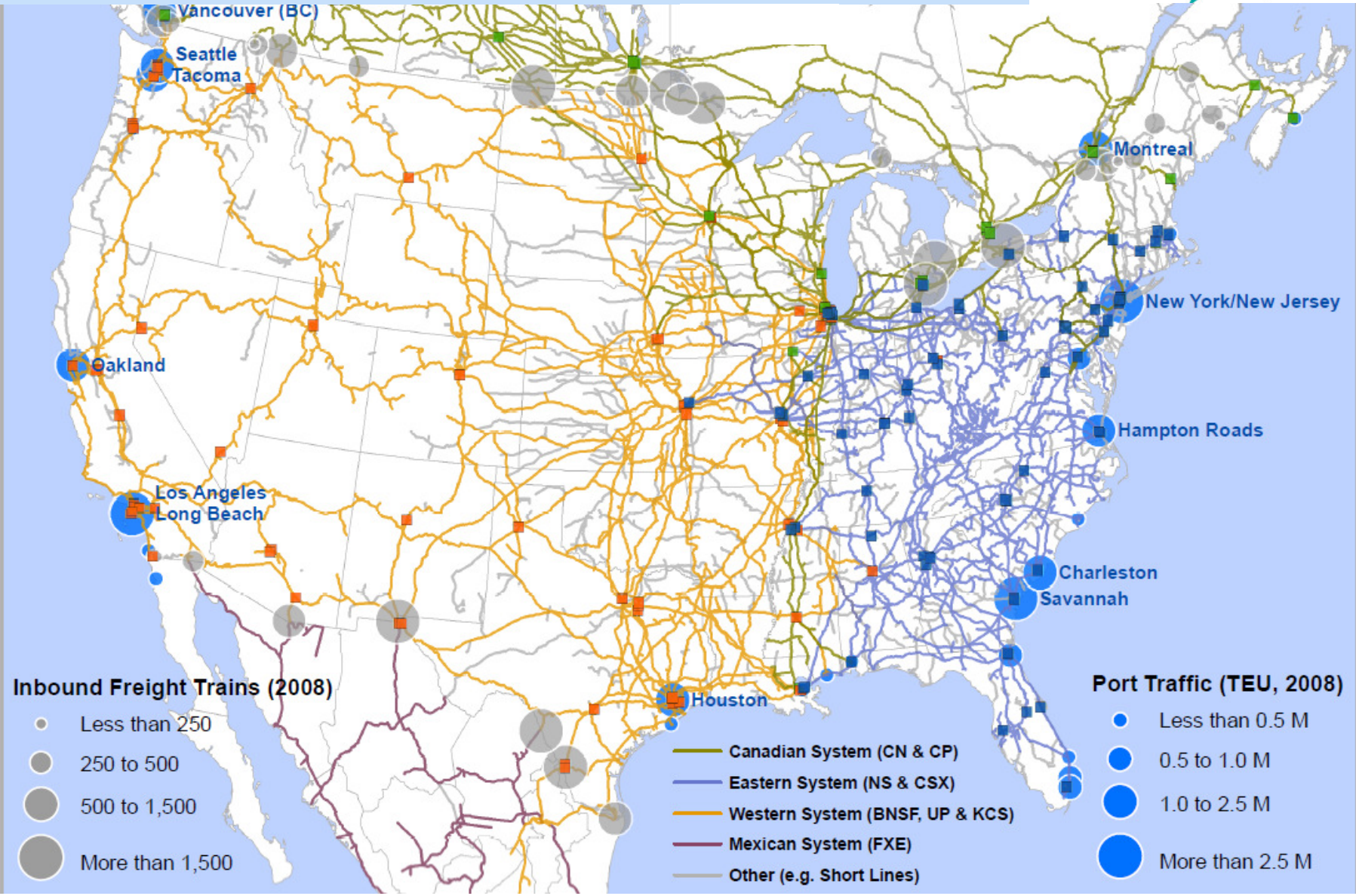


TOPICS

- **Overview of major North America railroads**
- **U.S. Intermodal Market**
 - = International
 - = Domestic
- **Impact of expanding Panama Canal**

- **APL's History of leadership and innovation**
- **APL's Intermodal Product**

RAIL NETWORK



RAIL NETWORK



NORTH AMERICA RAILROADS



Intermodal

Intermodal 11M units
= fastest growing commodity group

Type of Freight Carried for Year 2009

Commodity Group	Tons Originated		Gross Revenue**	
	(000)	% of Total	(million)	% of Total
Coal	786,607	47.2 %	\$12,052	25.1 %
Chemicals & allied prod.	162,691	9.8	6,831	14.2
Farm products	137,163	8.2	4,413	9.2
Non-metallic minerals	105,397	6.3	1,320	2.7
Misc. mixed shipments*	102,707	6.2	6,240	13.0
Food & kindred products	100,695	6.0	4,261	8.9
Metallic ores	43,842	2.6	404	0.8
Petroleum & coke	38,139	2.3	1,540	3.2
Waste & scrap materials	36,866	2.2	1,022	2.1
Stone, clay & glass prod.	35,483	2.1	1,215	2.5
Metals & products	30,418	1.8	1,390	2.9
Pulp, paper & allied prod.	28,453	1.7	1,656	3.4
Lumber & wood products	21,736	1.3	1,095	2.3
Motor vehicles & equip.	16,754	1.0	2,397	5.0
All other commodities	21,304	1.3	2,205	4.6
Total	1,668,254	100.0 %	\$48,041	100.0 %

* Miscellaneous mixed shipments (STCC 46) is almost all intermodal traffic. Some intermodal traffic is also included in commodity-specific categories. STCC 46 accounts for over two thirds of intermodal tonnage.

** Gross Revenue is not adjusted for absorption (incentive rebates etc.) or correction.

Source: AAR

INTERMODAL MARKET



**Intermodal comprises a significant portion of US rail business
= fastest growing segment for railroads**

U.S. Intermodal is made up of two primary segments:

= Domestic 4.7M units (40%) ~ 6% market share vs. truck

= International 6.1M units (60%) ~ 40% market share vs. truck

**Intermodal growth continues to accelerate after declines the last few years
2010 International forecasted +19% YOY, Domestic +15% YOY**

Intermodal trains carry 500 – 600 teus (compare 80 – 90 teus in Europe)

**Long-term intermodal growth expected to exceed GDP and gain further market share
from truck**

= Intermodal 3-4x fuel efficiency edge over truck

= growing shortage of truck drivers

= tighter license and insurance regulation

INTERNATIONAL INTERMODAL MARKET



Trans-Pacific cargo comprise ~80% of international containers to/from U.S.

70% of Trans-Pacific cargo moves over the U.S. West Coast Ports; 30% over U.S. East Coast

A much higher percent of West Coast moves via intermodal than East Coast (further from consumption centers)

A high percent of West Coast intermodal is loaded directly on-dock at Ocean Carrier facilities and tendered in full trainload shipments

International 20' and 40' business is also trans-loaded into 53' containers near West Coast ports and moved inland via intermodal



INTERNATIONAL INTERMODAL MARKET

Ocean Carriers offer 2 basic products

- **Local (consumption near port)**
- **Intermodal (mini land bridge or reverse inland points off the East Coast)**
 - = **Container Yard delivery...customer arranges truck pick up/delivery**
 - = **Store Door....carrier arranges truck pick up/delivery**

Ocean Carriers offer services in dry containers, reefers, open-top and bulk movements for both local and intermodal

Ocean Carriers hold major Rail Contracts (not NVOs such as in Europe)

- = **US trades ~ 70% BCO, 30% NVO (Europe reverse)**
- = **Intermodal Marketing Companies broker domestic intermodal services to BCOs and hold also major Rail Contracts**

IMPACT OF WIDENING PANAMA CANAL



Currently, shippers move product over both the U.S. West and East Coasts to diversify, mitigate service risks and reduce costs

3rd set of locks scheduled to open 2014..double capacity, allow for larger ships

= will shift some cargo from US West Coast to US East Coast and Gulf

= long term cost comparison vs. US West Coast + intermodal to be determined

US West Coast

= continue to offer shortest and fastest routes from Asia...6 to 10 days faster to Midwest and East Coast cities

= requires only 5 – 6 ships

= port and rail infrastructure already in place

US East Coast

= provide a viable alternative for certain Asia origins

= longer transit and requires 9 – 10 ships

= many East Coast ports require investments to improve water & air draft plus rail connectivity

= future Panama canal fee structure still work in progress (will increase)

APL HISTORY OF INNOVATION AND LEADERSHIP

1867 APL offers first Trans-Pacific steamship service

1979 APL is first shipping company to establish express container trains across the US

1984 APL pioneers stacktrain technology that doubles train capacity (containers two high on specially designed railcars)

1986 APL introduces the first 48-foot container for US domestic use (later for international)

1988 APL introduces the world's first "post-Panamax" containership (not fit through Canal)

1989 APL introduces the first 53-foot container for U.S. domestic use; inaugurates first stacktrain service to Mexico and Canada

1995 APL introduces the first industry website 'APL.com'

1997 APL opens new marine terminals in Los Angeles and Seattle offering 'on-dock' rail facilities

2006 APL offers "Ocean Guarantee" product (time definite)

2007 APL introduces the first 53-foot container for international use

APL INTERMODAL



APL has a long and growing history of intermodal

- = 1979 APL is first shipping company to establish express container trains**
- = 1984 APL pioneers stacktrain technology (stack 2 high)**
- = 1986 APL introduces the first 48-foot container**
- = 1989 APL introduces the first 53-foot container**
- = 1989 inaugurates first stacktrain service to Mexico and Canada**
- = 2007 commenced intermodal operations in India (IndiaLinx)**

Land-side control through APL terminals and intermodal network remain key APL differentiator in U.S. and integrated part of customer sell

APL is one of largest intermodal players:

- = international imports and exports off the U.S. West and East Coasts**
- = major player in the North – South corridor (US/Canada – Mexico)**
- = domestic moves in 53' containers in the East – West corridor**
- = Europe and India**

...plans to grow in all segments