

**UK – SPAIN MARKET
MODAL SHIFT IS WORKING**

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What is Modal Shift?

- Movement of business from truck to Short Sea Intermodal Services
- Not a war on trucks – purely an economic evolution due to rising truck costs and increased regulation controlling drivers' hours to ensure safety
- A major benefit is the reduction in CO² through modal shift to short sea particularly between Spain + UK and vice versa



What is driving Modal Shift?

- Frequency of daily services throughout Short Sea Intermodal supply chain
- Reliability and service standard
- Route network including rail
- Cost Competitiveness

Intermodality

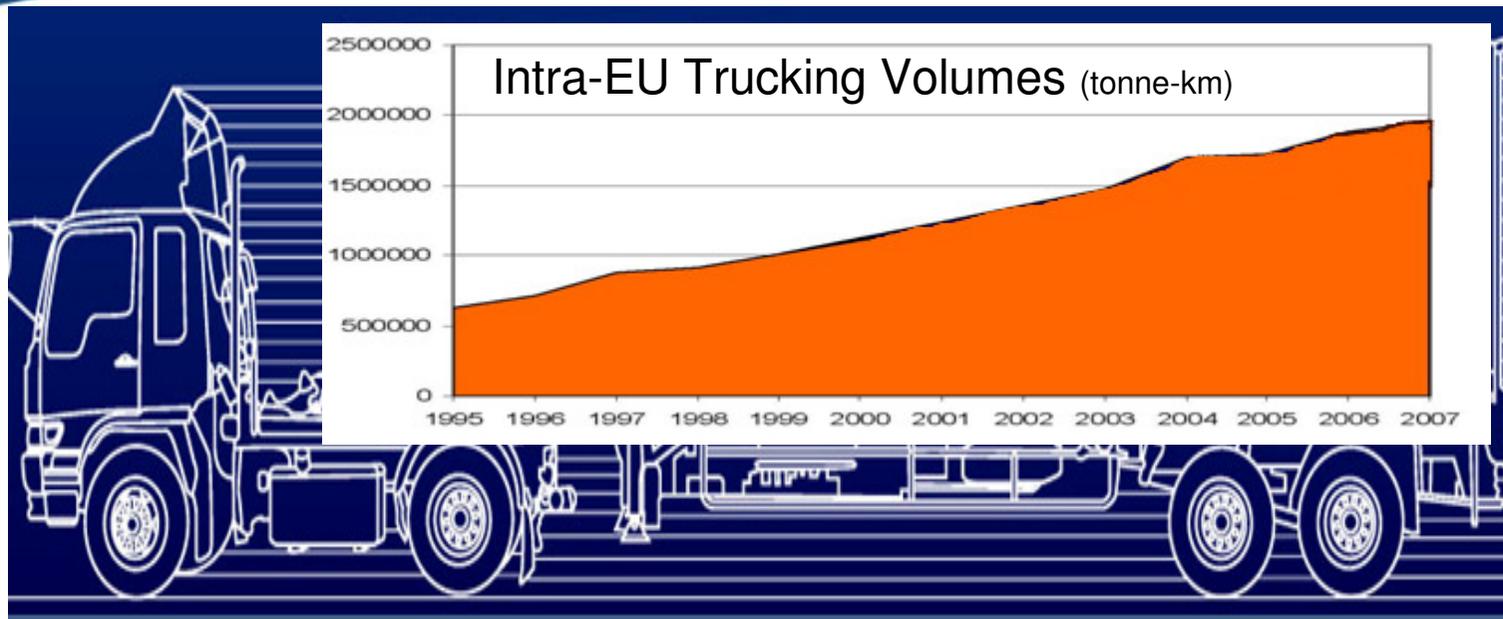
- Short Sea v RoRo
- Feeder v Short Sea



The Short Sea Intermodal Product

	Feeder	Shortsea
Operation	Quay quay	Intermodal Door to Door
Customer	Deep sea line	Shippers and 3PL
Landside Deliveries	Merchant haulage over several days	Carrier haulage within hours of arrival
Schedule	Follows deep sea line	According to market demand
Terminal	Deep sea line	Special shortsea
Customer Base	Limited	Extensive
Market Entry	Easy	Difficult
Character	Shipping Activity	Door - to - door activity

Trucking's Explosive Growth



Trucking facilitated Europe's economic boom:

- Improved consumer choice
- New markets for regional economies
- Producers/consignees have streamlined operations by embracing JIT
- Meaning huge successes for truckers

Victim of Success

Huge successes have brought huge challenges for trucking:

- Road congestion and delays are commonplace
- Infrastructure investment inadequate, leading to roadway wear and tear
- Increased regulation and tougher operating standards taking a toll

All of which:

- Makes it increasingly difficult to meet customer demands
- Poses a serious threat to JIT which trucking helped invent!

In Addition

RISING DIESEL COSTS

+ 17.1%

Rise in diesel fuel costs **since October 2010**

+ £424

Rise in operating costs **per truck per year**
for every penny increase in diesel fuel

Sources: UK Road Hauliers Association and FTA

- Fundamental flaws in trucking's business model now evident
- Cost of diesel fuel rising rapidly
- Truckers increasingly bearing the real cost of their operations
- Environmental compliance costs hit trucking companies hard
- Eurotunnel hasn't helped!

The Short Sea Intermodal Advantage

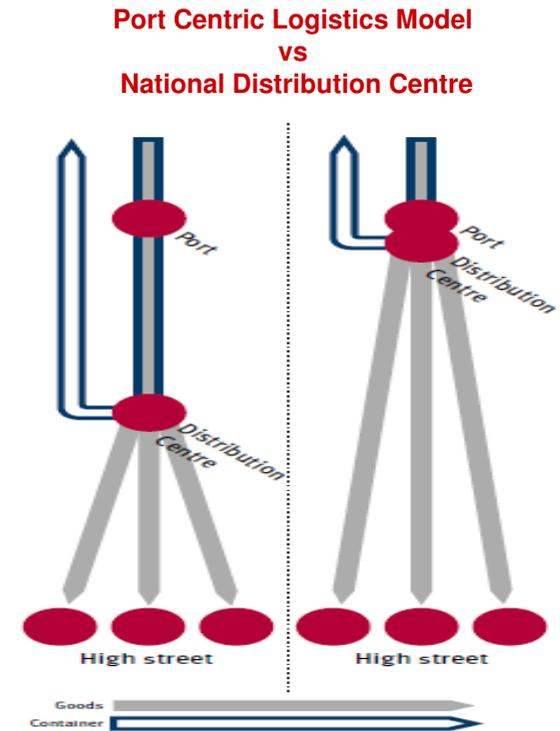
Compared with trucking, short sea intermodal is:

- A superior JIT solution
- Cost competitive
- Greener than road transport
- More flexible, reliable and secure



Port Centricity

- Drives out cost at either end of the journey
- Customer Experience



Source: Lloyds List

SSI - More Flexible, Reliable and Secure

- Cost Competitive - Use of 45' pallet-wide high cubes matches loading capacity of trailers so there is no loss of cargo intake.
- Deliveries on demand and within 24 hours maximum from arrival at POD
- Door-to-door simple lump-sum pricing
- Prices fixed without peak-season surcharges
- Secure door-to-door transport in dedicated control under one manager
- Reliable supply of wide range of containers

Greener than Road Transport

AIR EMISSION RANGES GRAMS/TONNE-KM		
	TRUCK	MARINE
CO	0.25 – 2.40	0.018 – 0.20
CO ₂	127 – 451	30 – 40
HC	0.30 – 1.57	0.04 – 0.08
NOX	1.85 – 5.65	0.26 – 0.58
SO ₂	0.10 – 0.43	0.02 – 0.05
Source: OECD		

- One of our voyages takes about 300 trucks off the roads
- One gallon of fuel will carry a tonne of cargo 60 miles over the road and 500 miles at sea
- Trucking contributes substantially more air pollution than shipping
- Shipping produces minimal noise pollution

Proven Successes...Modal Shift is Working

BLOCK TRAIN SERVICE GROWTH

2009 – 2010

+ 64%

Increase in weekly block trains in Spain from
22 to 36

Customer support has enabled us to:

- Increase Bilbao-Liverpool frequency from 2 to 3 weekly sailings
- Increase Bilbao-Tilbury-Rotterdam frequency from 1 to 2 sailings per week
- Increase Gdynia – Hull frequency from 1 to 2 sailings and a third to Tilbury.
- Open a new 2500 square metre warehouse in Bilbao, less than 1 km from ATM Container Terminal
- Increase our reefer fleet three years in a row
- Prove the economic viability of moving fresh produce at a Euro rate per pallet that will compete with road transport

Keeping up the Pressure

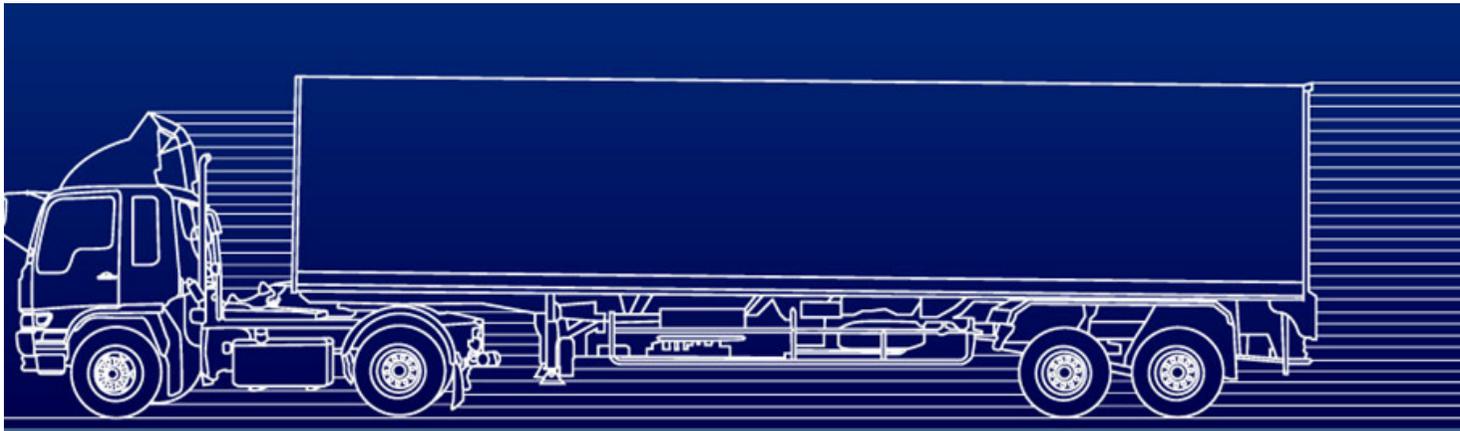
More to be done to ensure the playing field continues to even out:

- Inter-European road hauliers should be
 - Made to pay for the real costs of their operations, including the social and environmental impacts
 - Taxed for crossing national borders to contribute to road maintenance
 - Subject to more frequent inspections for weight overloads, driver licensing and tachograph compliance.

- Ports need to address efficiency levels – 40 to 50 lifts per hour is essential to support the necessary vessel turnaround time.

- We, the short sea intermodal industry, should do more to promote ourselves!

However...



- Trucks will continue to be dominant to/from Iberia owing to JIT transit time pressures, but at a premium price to Short Sea Intermodal
- Planning ahead by customers however, could reduce time scales and dramatically reduce cost of the supply chain promoting Short Sea Intermodal

Bilbao in 5 years



- The new “Calais”
- Requires vision to achieve and APB have that vision and recognise the importance of Short Sea Intermodality to the port and Northern Spain
- As do ATM, the container terminal which is taking major steps to facilitate operating flexibility to promote Short Sea Intermodal Services

Conclusion

- MacAndrews is convinced that Short-Sea Intermodal is the best option by just about any measure.
- We are demonstrating this with a programme of increased investment and continued support from our customers
- We intend to keep it up by expanding to five sailings per week to WCUK/Ireland and five per week to SCUK/Rotterdam with extensions to Scandinavia and the Baltic direct from Bilbao

Here since 1770 and still evolving

Thank you



MacAndrews

CMA CGM group

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