

Let's imagine for a few moments that we work for Franklin Sports, a multinational manufacturer of all kinds of sporting goods products.

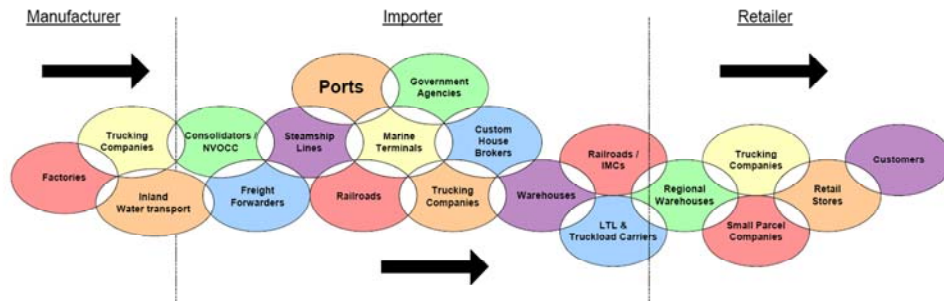
We have just heard some outstanding news! Wal-Mart has awarded Franklin Sports the U.S. contract to provide soccer balls to all their stores in the North America. This is the biggest single contract in Franklin Sports 45-year history.

Oh, I almost forgot our Operations and Supply Chain people MUST follow the Wal-Mart Vendor Compliance Rule Book to a "T." A lack of understanding will cost us dearly.

A Visit into the Supply Chain World

Role of Supply Chain

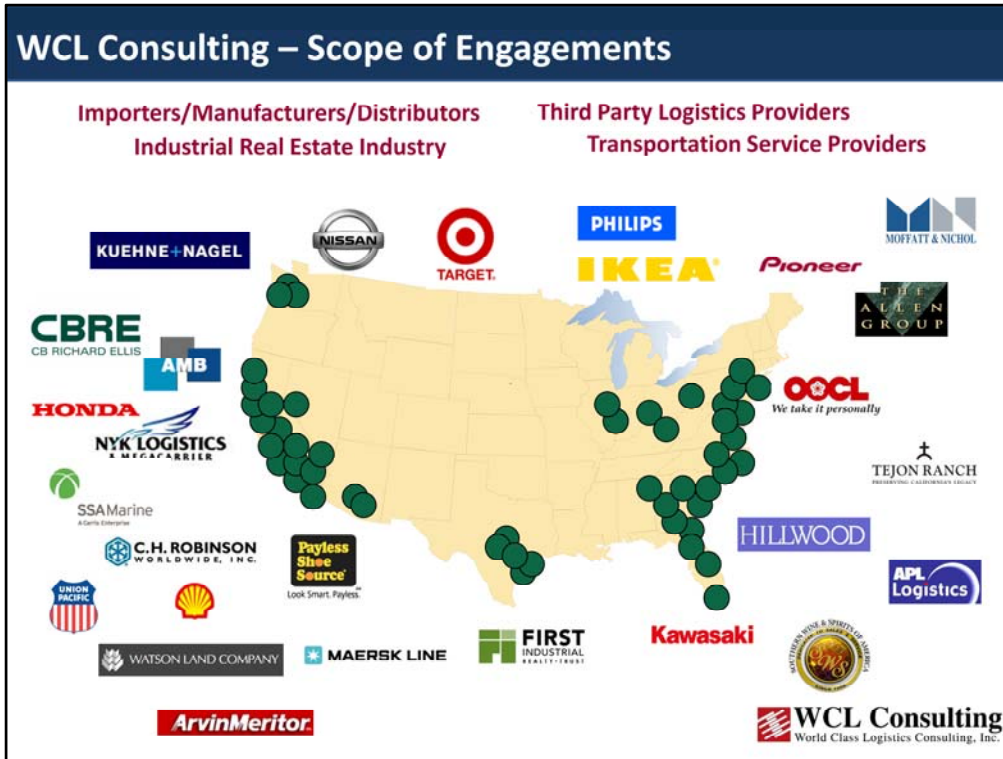
The importance of the supply chain has increased considerably over time as competition has become fierce and supply lines have become more complex and longer.



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This graphic illustrates the numerous industries involved in moving international goods from overseas factories to the retail stores of America.

It is important to note where the role of the PORTs' lies. That, as "catcher's mitt," the Ports are but one member of a larger team.



To help you better understand why I was asked to speak to you today, this slide illustrates the diverse projects WCL Consulting has done across the country and across industries.

Given this perspective, I'll take a moment to review the record breaking history of our local ports.

Agenda

1.) San Pedro Bay Ports – Record Breaking History

2.) World Trade Today

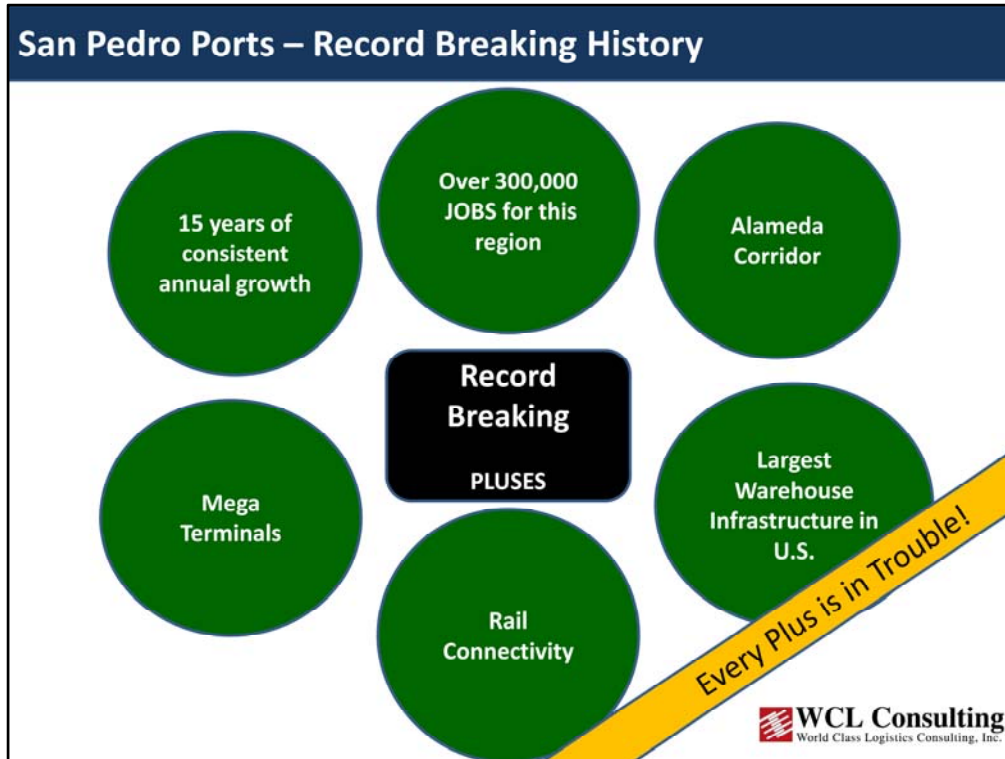
3.) Critical Actions Required

4.) Conclusions



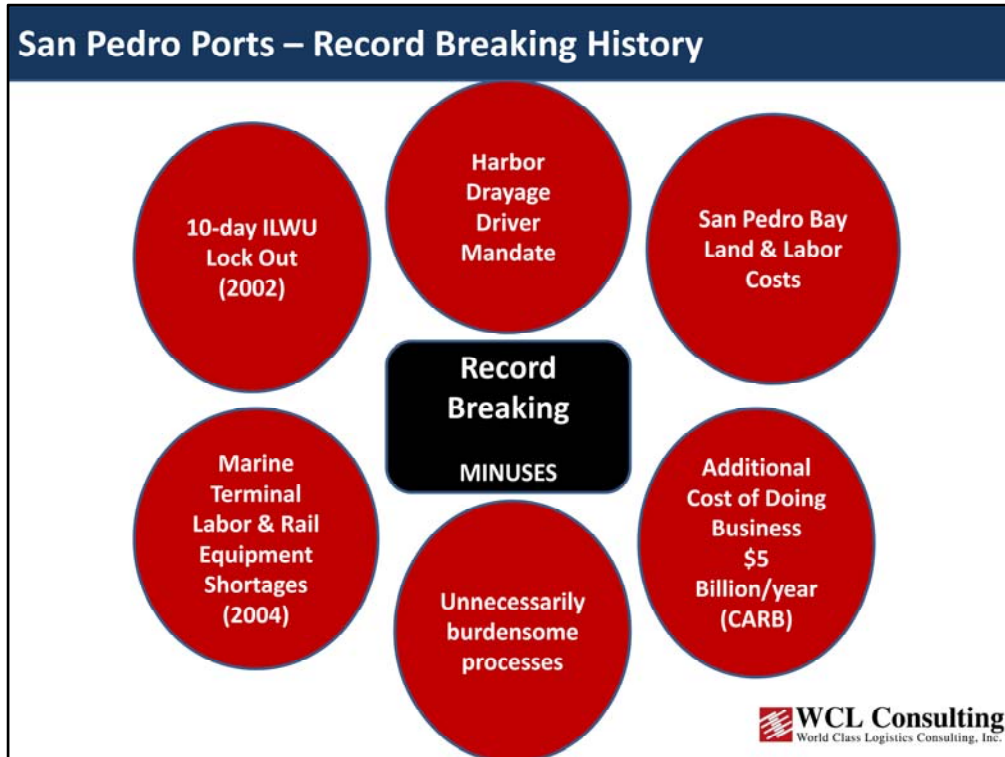
In that history we have both positive as well as negative records which were established in the record books.

During that history, there are positive and negative events on record.



As trade boomed and manufacturing shifted from the U.S. to Asia, our region met every challenge and led the nation in volume and the infrastructure needed for it.

Today, it would appear all the positive records set are in TROUBLE!



In spite of all the great performance and effort, there are events that negatively affect the overall view. Affecting the regions competitive position.

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The aspect of World Trade which I am focusing on is consumer goods containerized imports (export?), which represent \$askdf aklijf or 45% of the U.S. Annual Trade.

World Trade Today

Battle of the Supply Chains



Major Retailers.....

“We spend an inordinate amount of time working to make sure the process between Sales, Procurement, Distribution & Transportation are aligned.”

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Supply chain strategies and tactics have been significantly elevated in importance throughout Corporate America.

While WCL worked for Target Stores to identify how to make their Southern California Transload Facility more efficient and less costly they explained to us....

If Target Stores saves on average just 1-day transit time from their Asian factories to their retail stores in the U.S. they will save \$100 million dollars directly to the bottom line.

World Trade Today

Doing More With Less



- Less inventory
- Less people
- Less resources
- Less space



Implications

- Need to be ETDBW
- Provide more assistance

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While Corporations continuously push their global supply chain speed and reliability, they have fewer internal staff personnel to handle problems or difficulties.

A good friend of mine at major toy manufacturer and import said, "Jon, you would not believe what I am being ask to do. Five years ago I had 18 people in my global supply chain department. Today that is down to 8 while our annual revenue as grown four times.

World Trade Today

Importers diversify Ports of Entry

China to North America

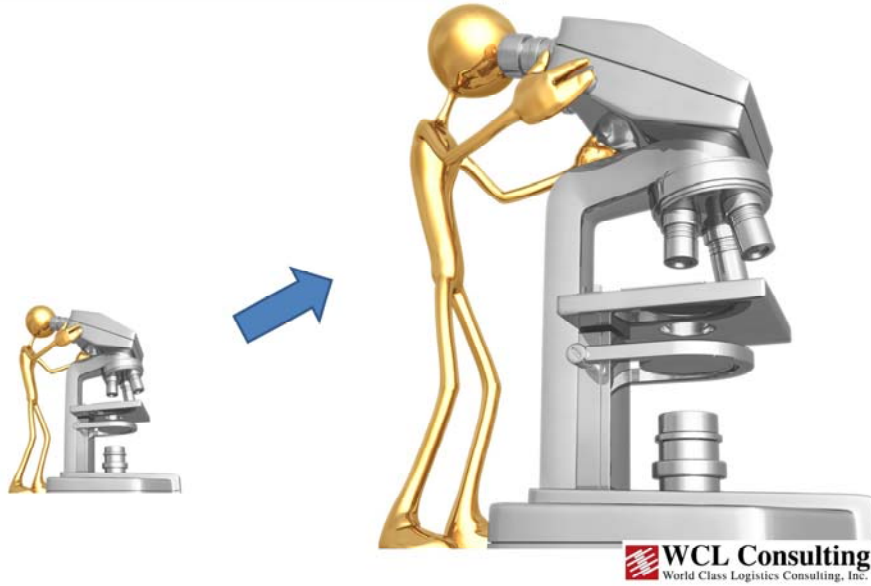


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International shippers have diversified their ports of entry strategies.

World Trade Today

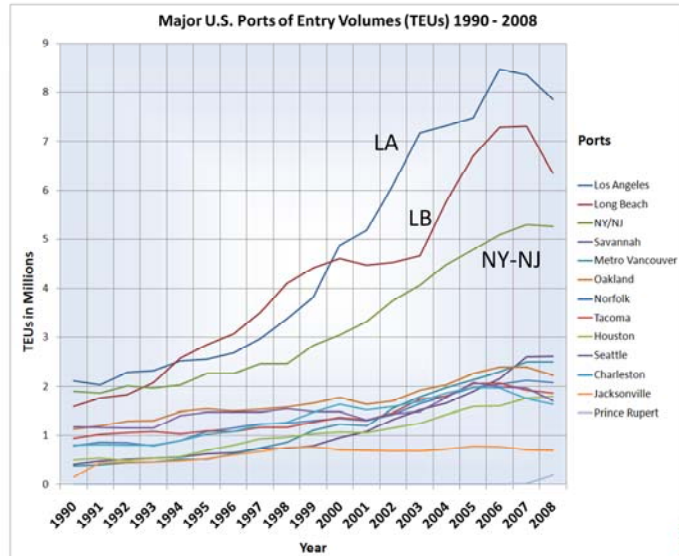
Shippers intensify their decision analysis



Shippers more intensely analyze every aspect of the global supply chain and will use alternatives if any one of the goods movement stakeholders does not perform at an optimum level or creates too much disturbance within the process.

World Trade Today

Ports of Entry Diversifications Impact



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The San Pedro Bay Ports for more than 15-years experienced 8% to 14% average annual growth. It was like an economic rocket to the stars. There appeared no end in sight.

Until other alternatives developed and were encouraged by the unique, negative events captured earlier.

World Trade Today

More Options for Shippers

Prince Rupert



Port of Savannah



Joliet, IL



Port of Norfolk



Today shippers have many options which they are taking advantage of.

World Trade Today

Goods Movement Stakeholders Need Collaboration

Manufacturers

Shippers

Retailers

“Every supplier, every customer is feeling the same pain, so
the desire to work together at a higher level is unparalleled.”

- Reuben Stone, EVP Supply Chain, Office Max

How are we helping?

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Shippers openly seek solutions in their complex world. So, if our region listens and responds with shipper-focused solutions, the region can rebuild its competitive position.

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Tomorrow - Panama Canal: Expansion 2014



Impact?

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There is no majority consensus on what will be the likely impact of the Panama Canal Capacity Expansion Completion in 2014 on future cargo diversions off the West Coast. BUT the San Pedro Bay Ports can't afford to operate as in the past and ignore the potential threat.

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So, I've been asked our opinion of what the region should consider doing.

First – carefully analyze answers to the following critical questions:

Critical Actions Required

Answer critical questions such as:

- 1.) What do shippers (importers/exporters) like and dislike about the San Pedro Bay ports?
- 2.) What are the ocean carriers and shippers' long range plans?
- 3.) What factors do shippers use to select a port of entry and locate a warehouse?
- 4.) How can the San Pedro Bay ports be more business friendly?
- 5.) Does the shortage of supply chain dynamics understanding hurt the San Pedro Bay ports?
- 6.) What lessons were learned in implementing the Clean Air Program?
- 7.) What are competitive ports doing to attract cargo from Southern California?



If the region wants the international business, all planning bodies must articulate the answers to these shipper oriented concerns. The region as a whole must understand the economic benefit derived from the business.

A good example of losing this segment is when the Navy pulled out of Long Beach.

Critical Actions Required

Recommended actions for Ports with help from Goods Movement Stakeholders:

- 1.) Balance priorities between Political and Business Focuses.
- 2.) Educate public sector agencies regarding goods movement dynamics.
- 3.) Define and implement a world-class goods movement advisory board
- 4.) Develop and implement a pro-business mission statement and business plan.
- 5.) Make annual shippers' survey results part of Port executive performance evaluations.
- 6.) Work with consultants who know and understand the supply chain dynamics.
- 7.) Begin using the words "cargo friendly" and "business friendly" in port planning meetings.

Recommended actions are many but here are a few to consider.

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So what can we conclude from the situation I just explained?

Conclusion

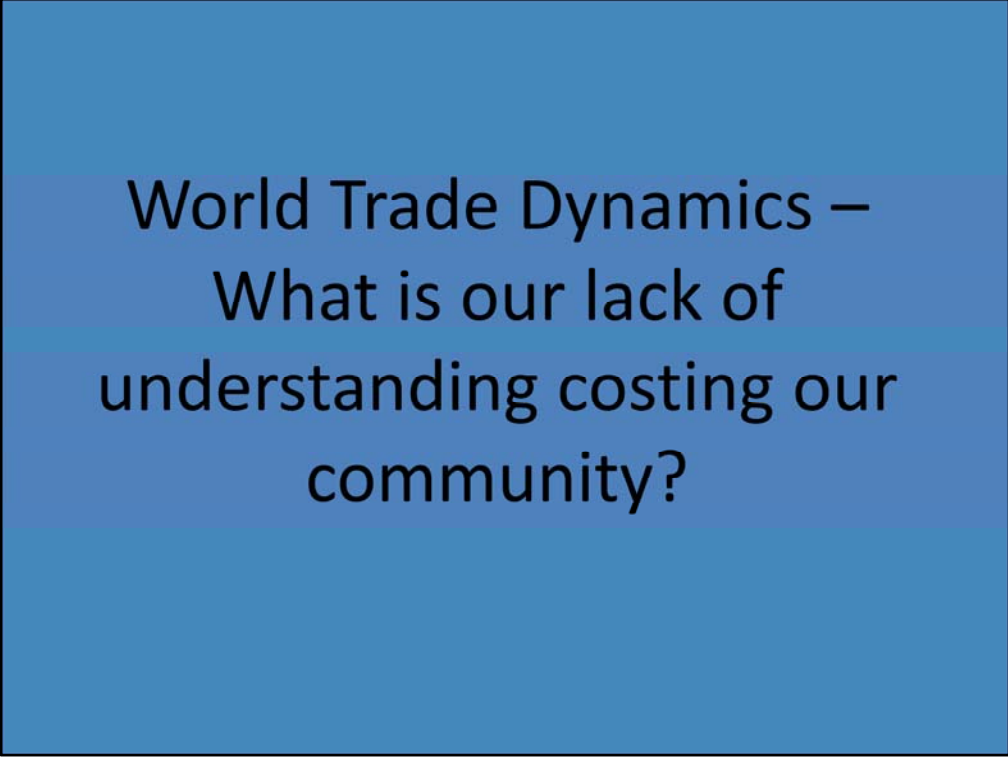
A Different Approach is Needed

Yesterday vs. Today



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- The approach we took in the past will definitely not be adequate going forward.
- If we expect to be competitive and keep our share of international trade we need to make major CHANGES.



World Trade Dynamics –
What is our lack of
understanding costing our
community?

Just like the Franklin Sports Soccer Ball contract with Wal-Mart, our regions' lack of supply chain understanding will have serious consequences by rendering the area less competitive in the supply chain.

Thank You

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