

PIG IRON

Transportation & Logistics

Presented 1-24-07

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Consolidated Terminals & Logistics

Funk & Wagnall's

- **Transportation -**

The business of conveying goods.

- **Logistics -**

Goods are acquired, transported and stored along the supply chain.

An effective supply chain and proper logistics can cut cost of transportation.



Modes of Transportation & Services

■ Modes

Vessel

Barge

Rail/Truck

■ Services

Stevedoring

Terminaling

Receiving

Modes are the Highest % of Cost

A **high** percentage of the cost of logistics packages is the **vessel / barge / rail / truck**

A **low** percentage of the cost of logistics packages is the **stevedoring / terminal**

How to control the cost of Modes

A very simple word – **OPTIONS!!!!**

Options are what shippers and receivers value.

Options = Competition = Saving \$\$\$\$

OPTIONS

- 2 Rail Roads at 1 terminal.
- 2 Rail Roads at separate terminals included in the same logistic package.
- Presenting a backhaul arrangement to a barge line that operates on that river.
- Longer receiving hours for truckers at a terminal.
(24/7)
- Ground Storage for future truck / rail delivery.

VESSELS

A POINT TO BE MADE:

Although vessels are not included in the logistic bundle we are talking about today, the opportunity for a bulk vessel owner to clean and reload in the US is greater in the **Mississippi River** than any other port.

Grain Exports offer this advantage!

Comparison of Logistics Package NOLA - Barge to STL - Rail 500 miles

January 2000 – per NT

January 2007 – per NT

| | | | |
|--------------|------------------|--------------|------------------|
| 1.25 | Stevedoring | 1.75 | Stevedoring |
| 6.00 | Barge | 15.00 | Barge |
| 1.50 | Discharge / Rail | 2.50 | Discharge / Rail |
| <u>10.00</u> | Rail | <u>16.00</u> | Rail |
| 18.75 | Total Net Ton | 35.25 | Total Net Ton |

WHAT HAPPENED!!

BARGES (or the lack there of)

1. Consolidation
2. Scrapping
3. Cost of Steel
4. Poor History of Earnings

DRY CARGO BARGES IN OPERATION BY YEAR OF CONSTR.

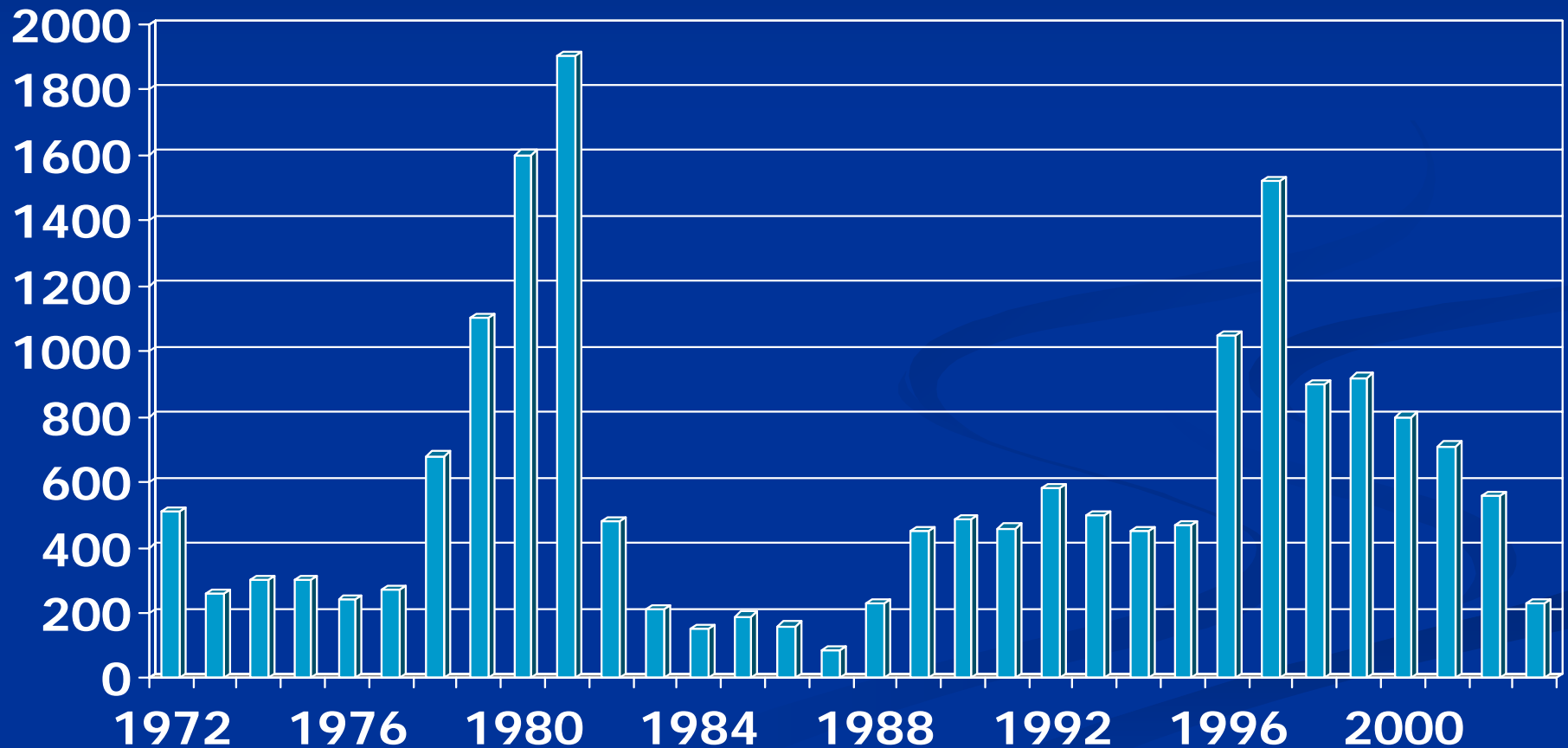


EXHIBIT 6A
Dry Cargo Barges
Presently Being Operated By Year Of Construction

| Year | Standard | Stumbo | Jumbo Open | Jumbo Covered | Total |
|--------------|------------|------------|--------------|---------------|---------------|
| 1972 | 20 | 4 | 177 | 320 | 621 |
| 1973 | 0 | 0 | 45 | 27 | 72 |
| 1974 | 0 | 0 | 10 | 35 | 45 |
| 1975 | 3 | 0 | 37 | 0 | 40 |
| 1976 | 19 | 42 | 3 | 2 | 66 |
| 1977 | 44 | 5 | 5 | 198 | 314 |
| 1978 | 2 | 148 | 148 | 435 | 636 |
| 1979 | 4 | 0 | 220 | 907 | 1,167 |
| 1980 | 8 | 13 | 150 | 1,378 | 1,571 |
| 1981 | 4 | 0 | 434 | 1,465 | 1,943 |
| 1982 | 0 | 47 | 188 | 236 | 471 |
| 1983 | 0 | 39 | 59 | 1 | 99 |
| 1984 | 6 | 29 | 35 | 2 | 72 |
| 1985 | 24 | 0 | 91 | 25 | 139 |
| 1986 | 25 | 0 | 59 | 2 | 109 |
| 1987 | 0 | 0 | 42 | 0 | 42 |
| 1988 | 15 | 0 | 179 | 4 | 208 |
| 1989 | 0 | 0 | 269 | 61 | 403 |
| 1990 | 0 | 0 | 345 | 95 | 477 |
| 1991 | 0 | 0 | 293 | 128 | 421 |
| 1992 | 3 | 0 | 243 | 342 | 588 |
| 1993 | 31 | 15 | 131 | 326 | 503 |
| 1994 | 0 | 0 | 119 | 291 | 410 |
| 1995 | 0 | 0 | 76 | 379 | 455 |
| 1996 | 0 | 4 | 592 | 432 | 1,028 |
| 1997 | 0 | 37 | 321 | 1,178 | 1,536 |
| 1998 | 0 | 0 | 309 | 603 | 912 |
| 1999 | 0 | 0 | 308 | 621 | 929 |
| 2000 | 14 | 10 | 280 | 505 | 809 |
| 2001 | 0 | 0 | 226 | 466 | 692 |
| 2002 | 16 | 0 | 144 | 413 | 573 |
| 2003 | 0 | 0 | 110 | 107 | 217 |
| Total | 427 | 336 | 5,732 | 12,056 | 18,551 |

42% of all barges operating today are over 20 years old.



What else happened!!!!!!

As with the barge lines, the rail industry:

1. Consolidation
2. Scrapping
3. Price of Steel
4. Poor History of Earnings

Hidden Cost of Piece Meal Transportation vs Logistic Packages

SHRINK

The biggest hidden cost

Price 5% 1%

\$200NT \$10 vs \$2 = \$8

\$300 \$15 vs \$3 = \$12

\$400 \$20 vs \$4 = \$16

Even 3% at \$300NT = \$9NT
(\$9NT x 50,000NT = \$450,000)

DEMURRAGE

Spell Check doesn't know it!

Barge:

\$300 / day demurrage

35 barges in tow

6 All purpose days

525 Barge days = \$157,500

Rail:

\$90/day x 60 cars = \$5,400

As a buyer /seller, what do you do?

- Try to achieve the best economics.
- Try to control the links in the supply chain.
- Try to mitigate hidden cost.

HOW?

Potential Solutions

- Hire experts in these different arenas?
- Issue RFQ's to modes of transportation?
- Interview Consultants?

These can be expensive, time consuming and legal nightmares while your #1 job is to make steel, cast dyes or deliver goods.

Seamless 3rd Party Logistics Outfit with Assets

Logistics and Transportation are just terms.

Seamless:

“having no awkward transitions, interruptions, or indications of disparity”

Disparity:

“containing or made up of fundamentally different and often incongruous elements”

C.E.O.

CAPACITY

To:

- Handle your vessel when it arrives
- Have barges placed timely
- Discharge rate to surpass guarantees
- Discharge rate upriver to meet contract terms
- Have RR Cars waiting
- Document actual weights

C.E.O.

ECONOMICS

To:

- Insure that you receive optimum rates
- Know that your Logistics Provider is a major customer as well to the various Modes
- Be at ease as far as hidden cost apply
- Understand that Controls are in place

C.E.O.

OPTIONS

Your Logistic Provider owns assets that have:

- Stevedoring assets
- Multiple Rail Service at Terminals
- Multiple Terminals to insure production
- Ground Storage
- Backhauls to improve your economics
- Control Barge / Rail Fleets