The Business Case

The Business Case for the eventual terminal operation follows:

1. **The containerized shipping industry is constructing 8,000+ TEU vessels at a very high rate.** Over the course of the next several years (leading up to 2013), there will be an additional 700+ of these type vessels that will be added to the world's container fleet.

2. **Ocean carriers are integrating these larger vessels into their respective fleets at a hurried pace** given their superior operating economics (substantially lower per slot operating costs).

   Evidence of this integration can already be seen with the onset of added vessels due to both capacity needs as well as slow-steaming initiatives.

3. **These larger vessels cannot be handled in a seamless or reliable fashion in any competing port on the U.S. East Coast, other than Norfolk.**

4. **Sydport is ideally situated to take advantage of the largest trade lane in the world (Asia/Europe)** serving line-haul vessels (those of 8,000+ TEU capacity) and creating a "pendulum service between Sydport (North America) to/from Europe/Asia.

5. **The slot costs (vessel operating economics) are superior for Suez Canal transits** (versus that of the Panama Canal or direct trans-Pacific) for all cargoes moving west of Singapore (or Southern China, the largest region of containerized trade in the world).

   Thus, Asian exports (and imports) are compelled to travel on this routing.

The Business Case (cont.)

6. Given the high labor expense associated with the trans-Pacific trade (stevedoring costs on the West Coast of North America), the added environmental charges (upwards of $750 per container), and the constraint and added cost of the trans-continental railroads (running East from West Coast ports to the cargo clusters of the heartland of North America), **many industry experts believe that there will be a monumental shift of cargo flow as more ocean carriers begin to deploy Suez Canal-based services.**

   Adding to this reallocation of freight from the trans-Pacific services to other routing options is the planned augmentation of the Panama Canal (2014). Industry experts forecast that upwards of 25% of the freight presently moving via West Coast ports will be reallocated to either Suez or Panama Canal based services.

7. **Sydport will have superior competitive economics given its low development cost (CAPEX) and unparalleled operating expense given its unique labor agreements.**