

Lorange

A thick red horizontal bar is positioned below the word "Lorange". To the right of the word, there are five horizontal blue lines of varying lengths, stacked vertically, resembling a stylized flag or a graphic element.

Institute of Business Zurich

- Possible Economic Crisis in the Shipping Industry

BLUE EVENT 20
COPENHAGEN BUSINESS SCHOOL
THURSDAY, 18 FEBRUARY 2010

Peter Lorange
President

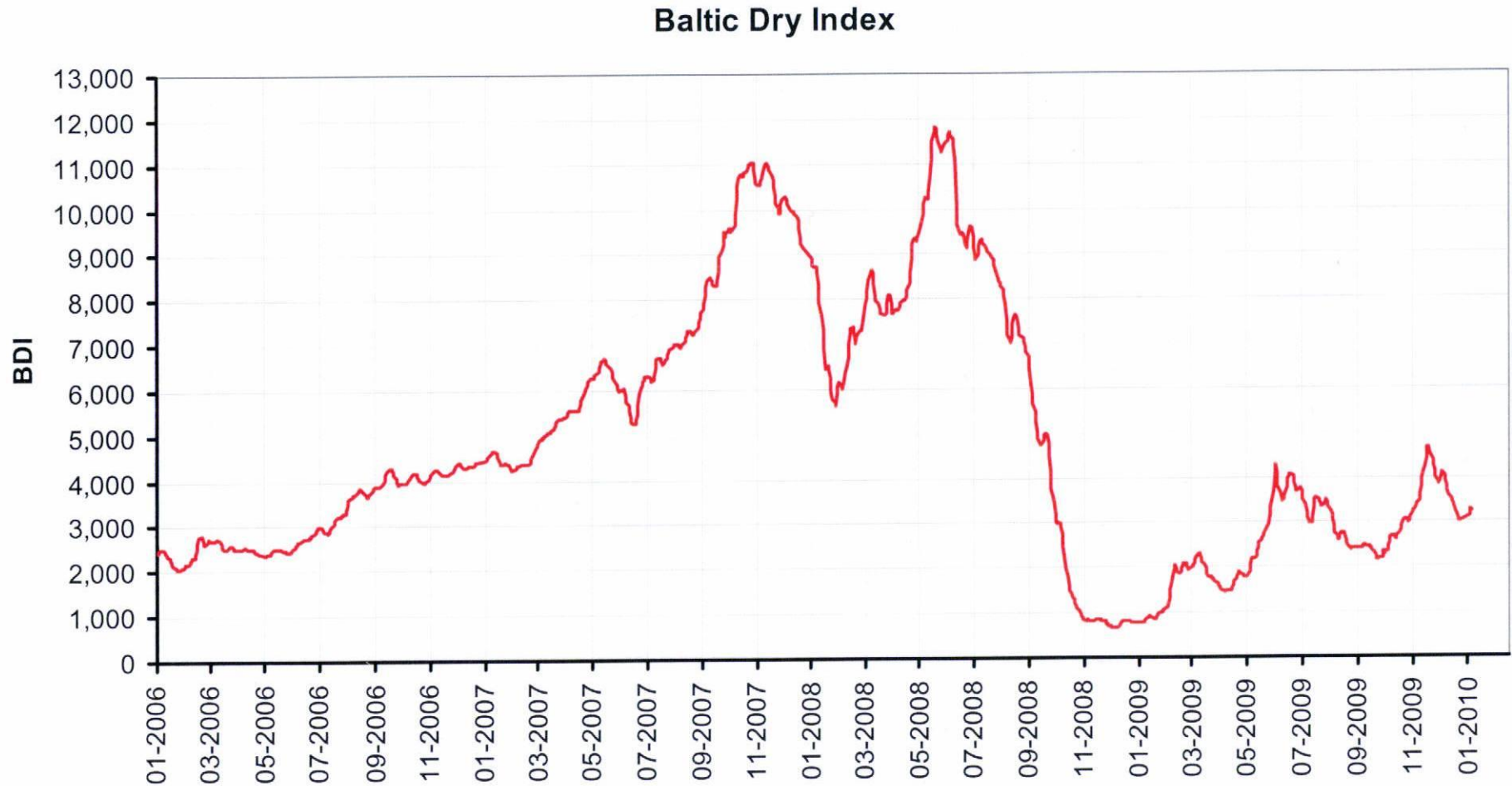
Lorange Institute of Business Zürich

The Major Issue from today's shipping firms is

- Is the Global Recession over?
- If so, how fast will the recovery happen?
- How robust will it be?
- The US / Europe / Asia relative economic power shifts?
- Role of China?
- And, effects on the shipping markets!
- Will the good, old days come back?

Baltic Dry Index

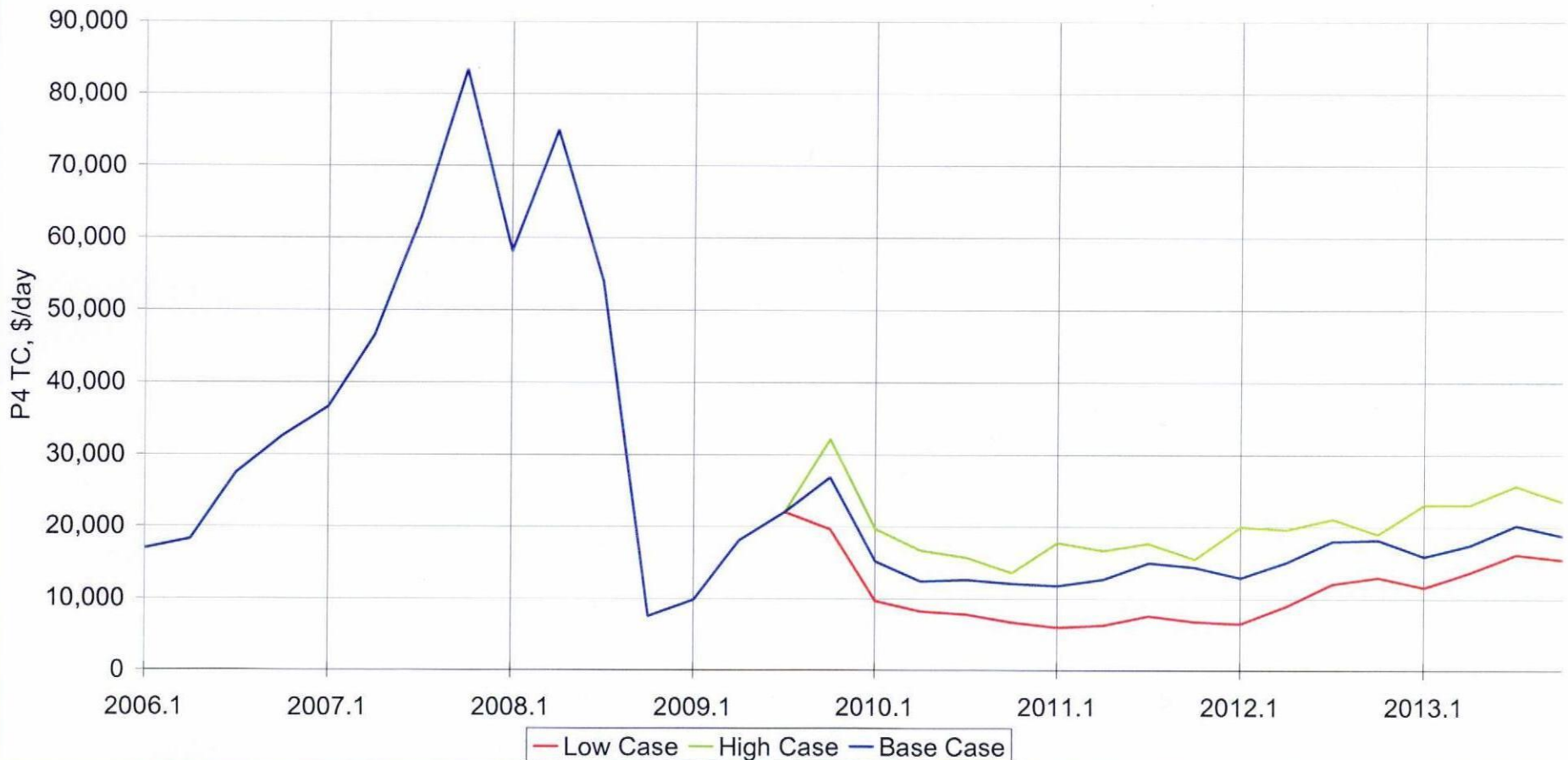
Marsoft



Panamax Earnings

Marsoft

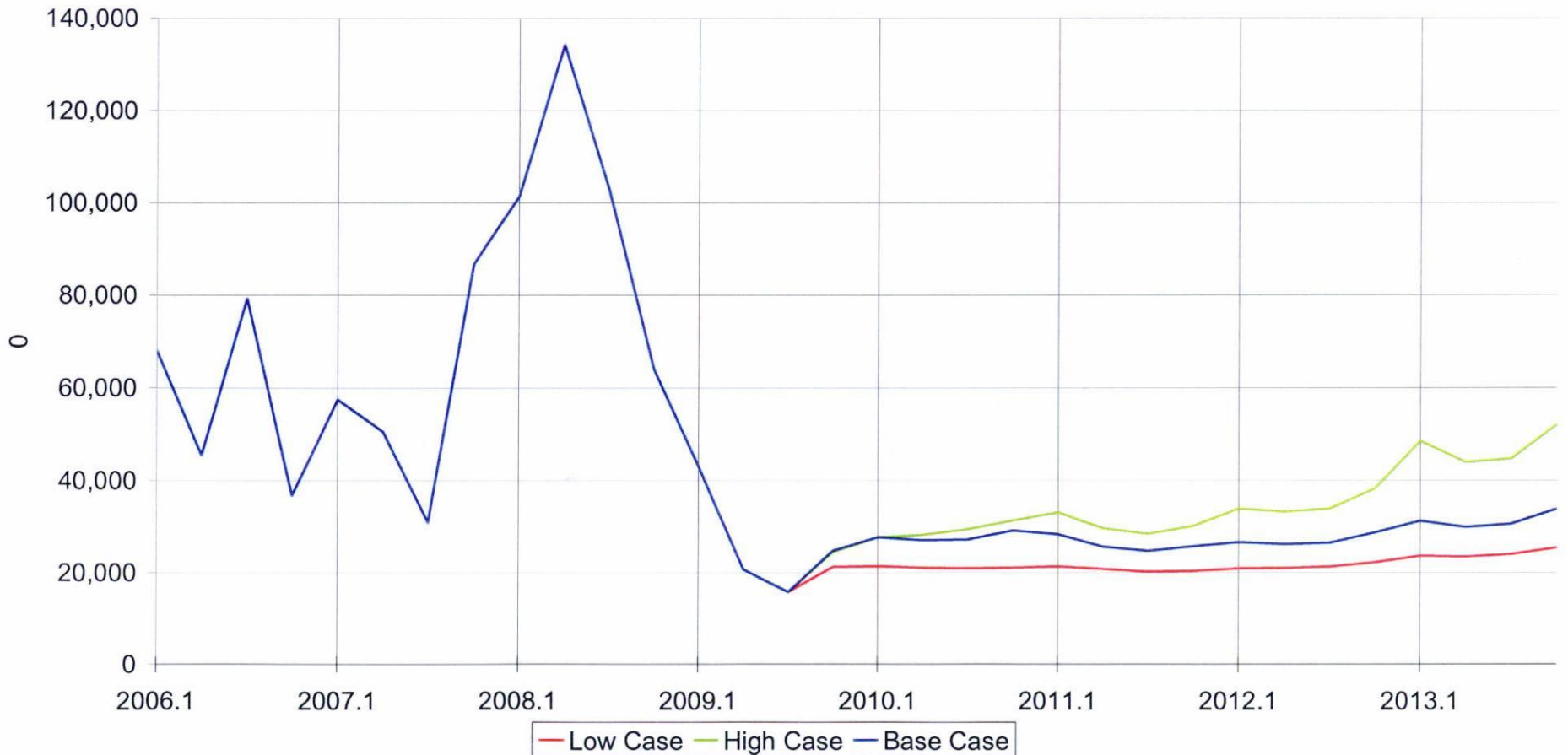
Panamax Size, 74,000 dwt
Baltic Panamax Index



VLCC Earnings

Marsoft

VLCC, 280,000 Dwt
Earnings,usd/day, motor tanker



And, we have reasons to be concerned.

Look at these few examples re. shipping markets!

China is key

- Challenge- „Become more Chinese's“

Ex. Seaspán - a major shipping company

- Headquarter: From Vancouver to Hong Kong
- CEO - now Chinese (from Shanghai)
- CFO and Chief Strategy Officer: Chinese
- Stock listed: NYSE, and soon also Shanghai
- Chinese National Banks - mayor sources of finances
- 80% of charter party income from China (Cosco and China Shipping)

But, what can we do, beyond hoping for a recovery, probably China - included?

- Find niche strategies!
- New Markets.
- New technologies.

But this means that we must build new capabilities:

1. Added focus on managing through business cycles.
2. Sustainability: Ecology / long-term growth / new stakeholders.
3. High innovation rate,
 - non traditional product features.
4. Brain-driven Shipping Organizations
 - having the right people!

1. Added focus on managing through business cycles

Timing is everything

- Investing / entering / building / acquisitions / exiting
- In / out; long / short; turning points
- “Marsoft-type” thinking!
- Loneliness of decision-making re. this.

2. Sustainability: Ecology / Long-term growth / new stakeholders

- The Copenhagen agenda - we should all be committed
 - Conservation, slow streaming
 - Emission: Co₂, Nox, Sox
 - Clean „Footprint“, Gaz
 - Hull-shape, coating
- And also:
 - Long-term sustainable growth - but, based on cycles!
- And also:
 - Focus on new stakeholder groups
 - Activists
 - The consumer
 - Government, public sector

3. High Innovation Rate

- Rapid introduction of new features - key
- The freight rate is not all! (Go beyond commodity!)
- The customer is part of the innovation!
- R&D done outside / outsourced.

4. Brain-driven Shipping Organizations

- Having the right people
- Today's paradox: Too many people - unemployment, down-sizing and too few people with the desired qualifications!
- What is needed today?:
 - Flexibility - „we, we, we“
 - „flat“ organization - less silos, less hierarchy, less titles
 - Speed!
 - The „right“ attitudes!
 - Ability to be developed, to be „stretched“, to welcome multitasking!

Conclusions

- Depressed freight rates! - Yes!
- Turbulent and demanding times! - Yes!
- But, many opportunities!
- But, only for the prepared minds, the prepared organizations!
- „Investment“ in key people is key - but this must be to develop relevant capabilities - cycles insights, innovation insights, sustainability insights, organizational insights!