

Overview of why DB Schenker chose to locate an operation in Calgary



Calgary Hub Conference Dec 2, 2010

Topics to discuss

Reasons to locate in Calgary:

- Currently 114 companies have their HQ here
- Oil & Gas decision making centre for Canada
- Global Engineering and design for the Oilsands
- Distribution hub for Western Canada from Calgary
 - Vancouver 985 km 12 hours driving
 - Edmonton 300 km 3 hours drive
 - Regina 751 km 8 ½ hours drive
 - Saskatoon 618 km 9 hours drive
 - Winnipeg 1329 km 15 ½ hours drive
 - All according to PC Miler

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Reasons to locate...continued

- Young well educated labor pool average age 36
- With a population of approx 1.1 Million
- Global Air connections for Passengers & Freight
- Excellent connections to both Major Railways CN & CP
- Connected to our neighbors in the US/Mexico on the Canamex corridor.
- Available first class warehousing space
- Calgary companies do work around the world

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Points to consider

Type of facility Light Industrial/Big box warehouse Location:

1. Could be located close to CN/CP rail yards for quick pick up.
2. Could be close to the airport for inbound as well as outbound courier & air shipments (i.e. YYC Global Logistics Park)
3. Labor pool access, bus, LRT etc.
4. Amenities to attract employees, restaurants, shopping etc
5. Roads/access & parking for staff/visitors

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The Quality of Life Issues

1. Proximity to the Rocky Mountains
2. World Class Calgary Zoo'
3. Heritage Park (our historical village)
4. Activities, camping, fishing, golf, hiking etc
5. Over 200 km of recreational pathways
6. Glenbow Museum
7. Fort Calgary Historical centre
8. The Bow & Elbow Rivers flow through
9. Numerous community parks both large & small

Global Oil & Gas



Global Oil & Gas

Oil Field Logistics Support Expertise

Oil field logistics support expertise

DB SCHENKER provides a specialized service in logistics support for the oil and gas business. We offer a comprehensive management concept and most suitable solutions for all kind of logistics support.

Our network ensures that each transport is handled by Schenker project specialists from origin to destination points in Asia.

Our services:

- Door-to-door air freight/sea freight services
- Licensed customs and brokerage services
- Dangerous goods and bulk handling
- Warehouse/inventory management
- Procurement and quality assurance
- Chartering aircraft and barges
- Planning and management of logistic base
- Logistic feasibility study and consulting for onshore/offshore projects



Our values:

- Expertise to plan, develop and organize customer focused solutions
- Safe handling and shipping of equipments for oil and gas
- Integrated approaches with global network and hubs
- QHSE commitments
- State of the art tracking and tracing

- Global network and hubs
- Regional hubs and warehouses
- Hotshot and special delivery
- Integrated air-/sea freight
- Licensed customs and brokerage
- Order processing & master list management
- Dangerous goods and bulk handling
- OTG storage and handling
- Warehouse inventory management
- Chartering aircraft and barges/LCT
- Heavy lift and oversize expertise
- Planning and management of supply base



Global Oil & Gas

Scope of Work - DB Schenker Network

- Global expediting, communication, co-ordination and documentation
- Freight consolidation at global hubs
- Material checking and packing in selected locations including systems management, such as MEPAW
- Global door to door including customs clearance in destination country
- Special projects handling such as air charters, ocean charters, hazardous materials

Global Oil & Gas

DB Schenker Values for Oil & Gas

- Dedicated and highly qualified team of specialists
- Expertise to plan, develop and organize customer focused solutions
- Safe handling and shipping of equipments for oil and gas related transactions
- Integrated approaches with global network and hubs
- QHSE global commitments
- State of the art tracking and tracing of all transactions



Global Oil & Gas Ocean Freight Services

- LCL service
- FCL service
- Break bulk
- Part charters and full charters



Global Oil & Gas Airfreight Services

Air charters for cargoes

DB Schenker has access to any and all commercially available airplanes and helicopters for charter

Hand carries

Our 7/24 availability allows easy and immediate access to organize emergency hand carries

DB SCHENKER^{sky}

Is a globally recognized brand name to handle customer specific cargo moves for

- emergency shipments
- consolidations
- door to door solutions



DB Schenker Oil and Gas Global Locations



Routing and Customs Considerations



Routing Considerations

Project Logistics - Overweight/Over Dimensional

To Fort McMurray, AB

Via

	Halifax	Montreal	Thunder Bay	Duluth	Galveston	Houston	Long Beach	Seattle	Vancouver
Distance by road (kms)	5709	4370	2347	2291	4266	4186	3514	1922	1808
Ocean Carrier Availability	EXCELLENT	GOOD	LIMITED	LIMITED	GOOD	GOOD	GOOD	LIMITED	LIMITED
Service Performance	GOOD	GOOD	GOOD	GOOD	GOOD	GOOD	GOOD	GOOD	GOOD
Year Round Availability	YES	YES	NO	NO	YES	YES	YES	YES	YES
Road Bans	YES	YES	YES	YES	YES	YES	YES	YES	YES
Dimensional Corridor	REASONABLE	REASONABLE	REASONABLE	EXCELLENT	EXCELLENT	EXCELLENT	EXCELLENT	REASONABLE	REASONABLE
Rail carriers' Capability	GOOD	GOOD	GOOD	OK	POOR	POOR	POOR	POOR	GOOD
Port Expertise	GOOD	GOOD	OK	OK	GOOD	GOOD	GOOD	GOOD	GOOD
Weather considerations	YES	YES	YES	YES	NO	NO	NO	NO	NO
Cost trend considerations	EXPENSIVE	EXPENSIVE	REASONABLE	EXPENSIVE	REASONABLE	REASONABLE	EXPENSIVE	REASONABLE	EXPENSIVE

Specialty Programs

SR & ED
CUSTOMS CONTINGENCY

What is the SR&ED Program

Tax incentive program to encourage new product, new process and improved process development IN CANADA.

Provides refundable tax credits from 35% to 70% of dollars spent from most CCPC's

**Equivalent program in provinces provides an additional 10% to 35%
(province dependent)**

WHY SR & ED Alberta

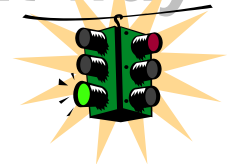
Expense	Your Cost	Proxy (in lieu of overhead)	Net Cost*	% Government Pays
Labour	\$90,000	\$58,500	\$28,372	68.5%
Material	\$5,000		\$ 2,925	41.5%
Sub-Contractors	\$5,000		\$ 2,925	41.5%
Capital				
TOTALS	\$100,000	\$58,500	\$34,222	65.8%

* Based upon a contribution from Ottawa (SR&ED) and Ontario (OITC)

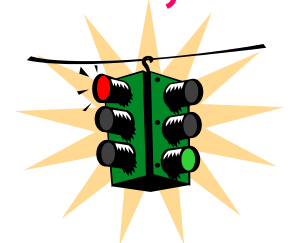
So, on a \$100,000 cost, you can get back \$65,780

SR&ED is all about INNOVATION

If you believe that what makes you special as a company is that your products are BETTER than your competitors, or cheaper because you are MORE EFFICIENT, then, you probably got that way by doing SR&ED.



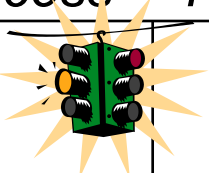
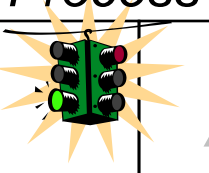
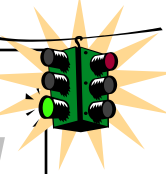
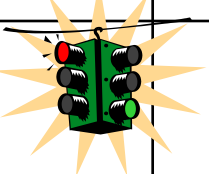
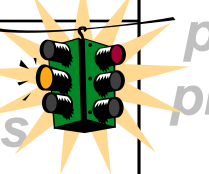
If you believe that what makes you special is that you work on lower margins than your competitors, then you may not be doing any SR&ED



Recognizing Eligible SR&ED Projects

New Product Development or Process Improvement

Recognizing Eligible Projects

	<i>Old Product/ Process</i>	<i>New Product/Process</i>	
New Techniques	<p><i>Sometimes SR&ED</i></p> 	<p><i>Usually SR&ED</i></p> 	<p>PLUS</p> <p><i>Any failed attempts at new products or processes is usually SR&ED</i></p> 
Old Techniques	<p>Rarely SR&ED</p> 	<p><i>Sometimes SR&ED</i></p> 	
	Old Product/ Process	New Product/Process	

Summary

Things to be on the look out for to determine if there is a SR&ED tax incentive available to your company:

- **Any Domestic Manufacturing**
- **Extraordinary Expenses in a particular year**
- **New Products**
- **Improved or Worsened Margins**
- **New Staff with different Technical backgrounds**

Summary (continued)

Things to be on the look out for to determine if there is a SR&ED tax incentive available to your company:

- **Product Quality Issues or Recalls**
- **Short but significant Productivity Deterioration**
- **Increase in Overtime to Volume Ratio**
- **Balding or Graying of Management Staff**

DB Schenker Customs Consulting

- Utilize advance rulings to create cost advantages and recover overpayments of your customs duties and excise taxes
- DB Schenker has extensive experience with the following taxing and legislative authorities:
 - Canadian trade cases: Canada Border Services Agency (CBSA) for advance ruling application requests; Canadian International Trade Tribunal (CITT) for appeals tribunal
 - U.S. trade cases: US Customs and Border Protection (CBP) for advance ruling application requests; US Court of International Trade (CIT) for appeals court



Points to reflect on going forward

Where are rates going in future bearing in mind the following:

- Steamship Lines Globally lost 15 Billion Dollars (2009)
(Journal of Commerce 10/11/2010)
- Airline Industry lost 2.5 Billion (2009)
According to Giovanni Bisignani head of IATA on web.
- Trucking Industry 2009/10 has seen fleet reductions in the area of 18 to 25 %

THANK YOU FROM DB SCHENKER TEAM

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