

# Panama Canal: Infrastructure and Tradelane Considerations

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APL



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## NOL Group

- **Global transportation and logistics company**
- **APL, APL Logistics**
- **Headquartered in Singapore**
- **9,600 employees worldwide**
- **FY2006 revenues US\$7.26 billion**



# APL's Asia-North America Services

- **13 services:**
  - 8 intermodal
  - 3 Panama
    - 116 crossings in 2008
  - 2 Suez



## What's Important to carriers?

- **Reliable transit time – keep cargo moving**
- **Cost**
- **Transit time is secondary – reliability more important**



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# Panama Canal: Advantages / Disadvantages

- **Advantages**

- Fairly reliable vs:
  - Variability of US rail
  - West Coast congestion and uncertainties
- Appointment system

- **Disadvantages**

- Increasingly expensive and congested
- Requires extra vessel in string
- A bit slower (c. 10%, HKG to NY)
- Can't yet accommodate bigger vessels

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# Intermodal: Advantages / Disadvantages

- **Advantages**

- Can accommodate big ships now: Economies of scale (large ships plus 300 containers on a train)
- Rail service is improving
- A bit faster
- Possible new port alternatives – Canada, Mexico

- **Disadvantages**

- Congestion expected to increase
- Rail network, though improving, still has problems
- Rail increasingly expensive
- West Coast labor uncertainty in 2008

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# Panama Canal: Today's Considerations

- **Port services must keep pace with growth**
  - Tugs, pilotage, fueling
- **Rail infrastructure must continue to grow**
  - Major transshipment hub for APL's Latin American trade
    - APL plans more than 35,000 rail moves in 2008
  - Potential competitors for Latin American distribution
    - Callao, Peru
    - Manta, Ecuador
- **Security must be strong**
  - A lynchpin of international trade – attractive target
  - Continued drug interdiction is vital



# Panama Canal: Post-Expansion

- **Larger ships possible – but can East Coast ports handle them?**
  - Nearly every East Coast port will have to deepen waters (Drewry Panama Canal report for APL, 2005)
  - Certain East Coast bridge clearances also a problem (Drewry)
- **Less congestion**
- **Probably higher costs**





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## Outlook

- **Hard to predict 7 to 10 years from now**
- **Customers will continue to want alternatives**
- **Key factors:**
  - To what degree will canal expansion alleviate congestion and accommodate big ships? At what cost?
  - Will East Coast ports be ready?
  - How badly will the West Coast be congested?
  - What will be success of possible new West Coast ports?
  - After current expansions, how fast and reliable will rail service be? Again, at what cost?
  - What kind of option will Suez become?

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## Prediction

- **If:**
  - West Coast ports and US rail system remain congested
  - East Coast can accommodate big ships
  - Canal costs are competitive with intermodal rail
  - Container volumes continue to increase
  - Panama's infrastructure keeps pace with growth during expansion
- **Then:**
  - Carriers will route as much traffic as the expanded canal can handle.

**Panama will continue to be a vital part of the tradelane mix from Asia to North America.**



**Thank You**

