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- **Thank you Kurt. It is a pleasure to be here at the AAPA's Spring Conference to talk about the importance of Freight Mobility for Panama.**

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- **In a way, freight mobility has always been a priority for Panama. In the 16th and 17th century, no colony was of more strategic importance to the Spanish crown than Panama, as an estimated 60% of all the gold entering Spain from the New World was transshipped through Panama.**
- **When one looks at our geographic position, it is easy to see why freight mobility has been a recurrent theme in our history.**

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- **Today, freight mobility is part of a broader national strategy that has made Panama one of the most important international centers for the transshipment and storage of worldwide cargo, with a modern logistical platform for sea, land and air transportation. Private ports on both oceans are connected by an inter-oceanic railroad, highways and international airports, as well as the most important waterway in the world: The Panama Canal.**

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- **What makes all this possible is the Canal. And indeed if one wants to understand freight mobility in Panama, and the government's role in facilitating it, one must start with the Canal.**

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- **Growth of tonnage moving through the Canal, as well as increase in transits. Panama Canal/Universal Measurement System (PC/UMS).**

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- **It is interesting to note that it is not only about the growth in cargo moving through the Canal, but also about the type of cargo. The Canal has gone from a commodities canal to a containerized cargo canal.**

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- **Indeed you can see how the Canal has gone from moving 2.5 million TEUs in 1997 to 13.8 million TEUs in 2007.**

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- **Containerized cargo represents 58.6% of all the cargo that crosses the Canal...**

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- **And 56% of its revenues...**

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- **And it is important to keep in mind that freight mobility through the Canal is not only important for Panama, but for world commerce.**

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- **As you all know, for all its spectacular growth and performance over the last few years, the Panama Canal is facing a capacity challenge. The Panama Canal must remain competitive, efficient and viable for the good of world trade, and also as the cornerstone of Panama's freight movement platform. Because of this, we have embarked on the largest project of our nation's history, the Panama Canal expansion project.**

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- **Don't want to get into too much detail about the expansion project, but I do want to show you what is being worked on. Atlantic locks. Think of Canal as a 2 lane highway, we are adding a third, wider lane.**

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- **Pacific locks. The Panama Canal expansions will double the capacity of the Canal to 508 million (PC/UMS) tons of cargo a year.**

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- **New design (water saving basins, rolling gates, tugboats).**

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- **New dimensions and ships. 4.8 vs 12.6 million TEUs.**

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- **We are investing \$5.25 billion into this project, a third of our GDP. But this is also a long term investment with very attractive rates of return. In 2007, the Canal contributed \$847 million to the national treasury, roughly 6% of our GDP. By 2025 we expect the contribution to reach \$4.2 billion a year.**

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- **It is estimated that an expanded Canal will add 1.2% points a year to our GDP.**

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- **The success of the Canal has allowed us to create a conglomerate of activities around it, paramount amongst them being the Ports. What has happened with the Ports has been nothing short of remarkable. 1996 vs. 2007.**

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- **47 Panamax and Post Panamax cranes. 3 super-post panamax cranes, the only of their kinds in Latin America.**

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- **Projections are equally impressive.**
- **What has made the Panamanian port system such a success?**
- **In the 90's the Panamanian government identified the maritime sector in general and the port system in particular as one of the strategic pillars for growth of the national economy.**
- **But the type of leadership the government decided to provide was not a hands on approach, but, quite on the contrary, a completely laissez faire model.**
- **The government has allowed free competition and the dominance of free market rules to the ports system, which has had brought as a consequence state of the art infrastructure and services, increased productivity and a reduction of about 50% in port tariffs.**
- **Panama's model hinges on the supremacy of private equity. This attracts experienced, highly qualified operators which are awarded long term lease concession.**
- **This brings the twin benefits of maximized investor value and minimized government risk.**

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- **To give you one example: Manzanillo International Terminal.**
- **Manzanillo International Terminal was created in 1994 with Panamanian and US private capital and is operated by SSA Marine.**
- **It is located near the Atlantic opening of the Panama Canal.**
- **The project was a Greenfield project and lacked a skilled workforce.**
- **Today, MIT is a complete success story. It employs a workforce of 700 highly trained professionals and it is one of the most efficient ports in the world.**

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- **In 2007, MIT handled close to 1.3 million TEUs of vessel related throughput. + RAIL. As you can see the core business is clearly transshipment.**

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- **List of clients.**

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- **Expanding warehouse capacity. I highlight this because all the major port facilities in Panama are positioned for growth and such growth is accommodated by the government.**

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- **What we have now at MIT. Capacity for 2 million TEUs**

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- **What it looks like. Thus far, MIT represents an investment of \$400 million, all private capital.**

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- **Where we are going. This will represent an additional \$150 million investment which will double capacity to 4 million TEUs.**

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- **Linking the port facilities of the Atlantic and Pacific in the Panama Canal Railway.**
- **This is a joint venture between Kansas City Southern, a US Class I Railroad, and Mi-Jack Products, North America's leading independent intermodal terminal operator.**
- **Again, a similar model to the ports exists, where private investors are given a long term concession, in this case 50 years.**
- **The rail began with an initial concession of \$80 million and provides both cargo movement and passenger transportation.**

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- **The growth in freight movement through the rail has also been very impressive. In 2002, the rail handled 30,000 TEUs.**
- **Following a 95% increase in cargo movement from 2006 to 2007, it anticipates it will move 510,000 TEUs in 2008.**

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- **The Panama Canal Railway Company anticipates further investments of \$30 million from now until 2011, investing in:**
 - **The expansion of the terminal loading track**
 - **Additional double stack cars**
 - **Additional locomotives.**

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- **In conclusion, I hope I have been able to demonstrate the importance of freight mobility for Panama. We are attempting to make Panama the premier logistic hub of the Americas for the transshipment and storage of worldwide cargo. This is not just important for us, it is a priority. Thank you.**

