Panama Canal: Infrastructure and Tradelane Considerations

John Bowe, President, Americas Region

APL
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
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
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
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
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?
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