Impact on marine terminals & infrastructure development of variable cargo volumes

Carlos Urriola

MANZANILLO INTERNATIONAL TERMINAL – PANAMA
CONTAINERS • RO-RO • BREAKBULK • PROJECT CARGO
WORLDWIDE PERCEPTION A FEW MONTHS BACK
WORLDWIDE PERCEPTION TODAY
CURRENT ECONOMIC SITUATION

What recovery?...
ECONOMIC RECOVERY??

- V – shaped?
- W – shaped?
- L – shaped?
- Most probably... a soup letter!
Shipping lines / shipowners are expected to leverage slow steaming and ship idling to offset the gap between supply and demand.
WHAT THESE MEANS FOR THE PORTS AND TERMINAL OPERATORS...

- Strong push to lower costs, push back investment programs, adjust capacity
- However, can’t stop looking ahead as volumes will increase – capacity crunch will return
- Leverage flexibility in every aspect of our business
- Look for additional sources of revenues
- For new projects, credit is scarce and very expensive
- From the Financial Times: “Recession rule of thumb, number one: however grim it is in your industry, it’s worse in container shipping”
WILL THERE BE MORE SURPRISES?

Relax, lady... I'm out of the baby business. Now I work for UPS.

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CARIBBEAN PORT LAYOUT

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HAITI EFFECT

- Huge humanitarian/reconstruction effort
- Stranded shipments at TS ports – could take years before clearing them up!
- Some niche carriers severely affected
- At the end, a bit of reality check
REGIONAL CHALLENGES

PANAMA CANAL EXPANSION PROJECT

Everybody talks about BCE (Before Canal Expansion) and ACE (After Canal Expansion)....
REGIONAL CHALLENGES

PANAMA CANAL EXPANSION PROJECT

And what are we doing WCE (while Canal is under expansion)
REGIONAL CHALLENGES

WHERE WILL THE CARGO COME FROM?

- Europe/USA: Previous traditional sourcing markets
- Asia: Has replaced traditional markets
- Intra-regional commerce: A lot of mid-term potential (Brazil, Mexico, Colombia)
- Places like Panama and Jamaica building/upgrading distribution/logistics areas that will create additional cargo flows
After greatly improving port performance in Panama, next step is to add value to the cargo passing through.

1989-1994: 12% a.g.
1994-2001: 26% a.g.
2001-2009: 14% a.g.

MIT starts operations in 1989.
COMPANIES WITH REGIONAL DISTRIBUTION / ADDED VALUE OPERATIONS IN PANAMA

Electronics
- RFS
- Panasonic
- Sony
- JVC
- AM
- Philips
- Andrew
- Ericsson
- SiteTel

Consumer
- 3M
- Black & Decker
- Dewalt
- Price Pfister
- William Grand & Sons
- ERAM
- Bona
- Sub-Zero
- Ariston
- Riedel
- Ciba

Pharmaceutical
- Sanofi Aventis
- Pfizer
- Wyeth
- Novartis
- mepha
- Johnson & Johnson
- Lilly
- Peroni Biocel
- Roche
- Lundbeck
- AstraZeneca
- Alcon
- Novo Nordisk
- Terumo
- Syngenta
- GSK
- GlaxoSmithKline

Fast Moving Consumer Goods (FMCG)
- Payless
- Goodyear
- Groupe SEB
- Hitachi

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EVEN HEAVY EQUIPMENT / STEEL PRODUCTS CAN FIND VALUE
REGIONAL CHALLENGES

BIGGER VESSELS

NEW for 2009

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REGIONAL CHALLENGES

- More regional cooperation
CENTRAL AMERICA/CARIBBEAN TRANSHIPMENT MARKET

In million TEUs per year

- CA/Caribbean Overall Market
- CA/Caribbean TS Market
- Panama

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MIT: $555m invested up to date with 85% of the cargo volume is transshipment.

Entire Caribbean region facing lower stevedoring rates, short-term vs. long-term customer commitment, greater competition
PERCEPTION IS REALITY

- Consumers still need to perceive the recovery is getting to them…
- Any slight change, is considered positive
- Rationalization of services, new alliances, delay new ships orders, rates increases.