Panama Canal Expansion: Game Changer?
What Questions Should be Asked...

• Is it needed?
• Does it fundamentally change North American flows?
• Can (will) I get a piece of the pie?
What Is Going On In Panama?

Program Components:
- Deepening and Widening of the Atlantic Entrance
- Atlantic Post-Panamax Locks Complex
- Widening of Channel Reaches and Turns in Gatun Lake
- Access Channel to the Pacific Post-Panamax Locks
- Pacific Post-Panamax Locks Complex
- Deepening and Widening of the Pacific Entrance
Why Expand the Canal?

• Seem as critical, but obsolete, bottleneck
• Vessel Economics
• Changing Shipper Behavior
• Regional Latin American Growth
Is it Needed?
Capacity lowers per unit costs..
Does It Change North American Trade Flows?
Buyer Expectations Are Changing Retail Logistics

Wow!! The Little Orphan Annie Decoder Ring Finally Arrived!!

Wow!! What a bargain, and I will get it tomorrow!
Retailers Changing Their Domestic Supply Chains

- Locate Closer to Customer
- More Integrated Supply Chains
- Manage Variability
- Transloading
- Reduce unreliability
What Does Trade Look Like? Toys

Top Importer Sources of Toys, 2012

- China
- Mexico
- Taiwan
- Japan
- Canada
- Thailand
- Indonesia
- Vietnam
- Korea, Republic Of
- Germany

Imports of Toys, By Month (2009-2012 Average)

NOTE: The data in this figure include only loaded containers in U.S. international maritime activity and cover U.S. imports, exports, and transshipments. Therefore, the trade levels will be greater than those reported from U.S. international trade statistics, which exclude transshipments. The data also exclude military shipments.

ENDANGERED SEAPORTS: THE BIG PICTURE

A $46 billion investment gap by 2040 threatens U.S. seaports – critical economic lifelines that rely on connecting transportation infrastructure to deliver prosperity for millions of Americans. With America’s trade volume expected to quadruple after 2030, and port connections in poor condition, now is the time to invest in vital infrastructure. When it comes to American seaports, it helps to see the big picture.

1. **$7 billion**
   - Added costs to traded products due to shallow harbors in 2010
   - 1/2 Amount of Harbor Maintenance Tax revenue utilized, resulting in channel dimensions available <55% of the time

2. **$46 billion**
   - Amount port authorities and partners will spend on infrastructure modernization in the next 5 years

3. **$14 billion**
   - Added costs by 2040
   - 52 million Containers exported annually by 2037, nearly 3x current exports
   - ~$9.3 billion Projected U.S. trade loss from use of undersized vessels in shallow harbors and narrow channels by 2040. As vessels get larger, U.S. trade competitiveness declines

4. **1/3**
   - Freight rail carries 1/3 of all U.S. exports to port and border facilities across America
   - 60% Percentage of rail intermodal traffic that involves imports and exports
   - $20 billion Annual infrastructure & equipment investment by private freight railroads

5. **$27 billion**
   - Cost of deficient and deteriorating highways to American businesses and households in 2010

6. **$276 billion**
   - By 2020
   - 14 billion tons Truck freight total by 2018, an increase of almost 30%

7. **$1.3 trillion**
   - By 2040

A $4 trillion loss to U.S. GDP by 2040 is projected for failure to invest in America’s crumbling transportation infrastructure.

Urga Congress to support federal investment in seaports today.

1. **FEDERAL CHANNEL**
2. **CARGO**
3. **BERTH**
4. **OCEAN-GOING VESSEL**
5. **PORT FACILITIES**
6. **FREIGHT RAIL**
7. **SECURITY SCREENING EQUIPMENT**
8. **TRUCKS**
9. **FEDERAL/STATE HIGHWAYS & CONNECTORS**

*Note: Failure to Act: The Economic Impact of Current Investment Trends in Surface Transportation Infrastructure, 2011*
Can (will) I get a piece of the pie?
Headquarters Location of Top 100 Importers/Exports, 2012

Journal of Commerce
A Game Changer
The Canal “Question” Today

**The Known**

• The Canal is expanding
• Trade already shifted from West Coast
• Inbound logistics driving system
• Firms are already responding

**The Unknown**

• Will S. Cal ports push trade away?
• Will Eastern U.S. ports receive dredging?
• How much more cargo is divertible?
• Balance between Canal tolls and Railroad costs?
• Ship Rotations and partnerships
• Other corridor options?
• External Shocks?
• Reshoring?
Benefits of Debate

• Connecting to global markets
• Discussion of regional transportation needs
• A National Freight Network
• Water Resources Reform and Development Act
Thank you

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