THOUGHTS ON THE PANAMA CANAL EXPANSION

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What Is ITTS?

- Evolved from LATTS Studies
- 12 State Departments of Transportation
  - Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, West Virginia, Virginia
- “Forward Thinking” on freight planning and policy needs
Panama Canal Expansion

- Is it needed?
- Does it fundamentally change North American flows?
- Will external events strengthen or dampen its influence in world shipping?
WHAT ARE THE VIEWS OF THE PANAMA CANAL EXPANSION IN NORTH AMERICA?

“Eastern”
- West Coast is “dead”
- Asia Trade is Critical
- See land and lower capacity costs as plus
- Geography favors us

“Western”
- Yet another gateway competitor
- Asia is our “market”
- Still important despite local pressures
- Geography favors us
WHAT ARE WE CONNECTING?

- Port exist to provide services
- Transfer and intermediary services
- No better than their inland or waterside infrastructure
- What is a hinterland?
Florida State Exporter Destinations, 2008 (Value) (Source: Wisetrade)
FLORIDA EXPORTS AS SHARE OF TOTAL STATE GDP 1997 - 2008

Source: Bureau of Economic Analysis, U.S. Dept. of Commerce & WISERTrade State Exports
Exports as Share of Florida Metropolitan Statistical Areas GDP, 2008

Source: International Trade Administration, U.S. Department of Commerce
U.S. EXPORTERS BY STATE, 2008 (WISERTRADE)

Legend
- Dark Red: Greater than $35,000,000,000 (10)
- Orange: $20,000,000,000 to $35,000,000,000 (7)
- Medium Orange: $7,500,000,000 to $20,000,000,000 (14)
- Light Orange: $3,500,000,000 to $7,500,000,000 (11)
- Yellow: Less than $3,500,000,000 (9)
Firms See Transportation as Critical

Site Selection Magazine

- 90% stated - transportation directly influences their business.

KPMG

- 77% stated - infrastructure:
  - Becomes more important over the next five years
  - System will remain inadequate without new investment
MERCEDES BENZ SUPPLY CHAINS FOR ALABAMA

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.

## Drewry – Transpacific Intermodal White Paper

### Imports

<table>
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<tr>
<th>Destination</th>
<th>20' East &amp; Gulf 6400</th>
<th>40' East &amp; Gulf 6400</th>
<th>20' East &amp; Gulf 8000</th>
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Note: Positive numbers favour East Coast and Gulf routing
Source: Drewry Supply Chain Advisors

### Exports

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FORECASTED TRAFFIC IN U.S.

Traffic Analysis Framework

2002 - 2035

Millions Tons

Truck
Rail
Water
Other

Projected Population CAGR

- Red: Less than 0.0%
- Orange: +0.1% - +1.0%
- Green: Over +1%

Based upon projections from Census Population Data Centers in each state. US Census projections were used in ND, SD, and WY.

Interstates
WHAT LIES AHEAD?
A MUDDLED FUTURE

**Internal**
- Changing US energy policy
- “Greening” Supply Chains
- Security
- Funding
- Labor
- Rail policy
- National Freight planning

**External**
- Global competition
- Near Sourcing
- Expansion of Transshipment hubs in region
- Free Trade negotiations
- Price of fuel
- Ship rotations
WHERE IS THE NATIONAL PRIORITY?

10 days
4000 miles

2 days
No miles

2 days
1500 miles

4 hours
 +/- 2 hours
20 miles
STRATEGIES RECOMMENDED BY LATTS

- Utilization of Existing Infrastructure
- Add Physical Infrastructure
- Increase Operating Throughput
- Corridor Approach for Investing
- Develop Agile Freight Operations
- Improve Clearance at Gateways
- Attention to Connectors
- Encourage Technology
- Integration of Information
- ITS Applications
- Increase Public Awareness
- Improve Institutional Relationships
- Improve Freight Profile
- Partnerships
EXPORT PROMOTION – MISMATCH WITH TRANSPORTATION

- Call to double exports
- No transportation in executive order
- No ports in President’s recent infrastructure plan
- No new free trade agreements
PORTS IN THE EAST MUST BE READY TO RECEIVE THESE CARGOS FOR CANAL TO REACH POTENTIAL

- Dredging
- Understand relationship of ports within coastal regions (parochial fighting does nothing...)
- Railroad connections
- Understand these are strategic investments, not isolated “pork projects”
- Federal Policy conflicts
- WRDA?

- Competition from other overland corridors
# The Sum of Knowledge

## The Known
- The Canal is expanding
- Trade has shifted from West Coast
- Total Trade will recover in the next few years
- Globalization continues at a slower pace

## The Unknown
- Will S. Cal ports push trade away?
- Will Eastern U.S. ports receive dredging?
- How much more cargo is divertible? (Drewery’s 25%?)
- How (when) will vessels be deployed?
- Who wins in battle between tolls and railroad costs?
- External Shocks?
BENEFITS OF DEBATE

- Connecting ports and hinterlands
- Connecting exports to trade markets
- Discussion of regional transportation needs
- Finding partners
  - Railroads, public, private sector

- But who is listening?
  - Shippers
  - Public
  - Decision Makers
**Panama Canal Expansion — Answered?**

- Is it needed? YES
- Does it fundamentally change North American flows?
  - Bulks – Yes - more volume
  - Containers – Yes, Some growth
  - Ports – Opportunities for Ports
  - Transshipment Opportunities – Yes and No
- The real question is when will this occur
Freight In the Southeast Conference, February 9-11, 2011

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