“How Important is the Expansion of the Panama Canal to the Port of New Orleans”

Bruce Lambert
Executive Director, ITTS
Panama Canal Expansion

- Is it needed?
- Does Louisiana Benefit from the Canal now?
- Does it fundamentally change North American flows?
- Thoughts going forward…
Is it needed?
**Why Expand the Canal?**

- Enjoyed strong growth before “great recession”
- Critical, but obsolete, bottleneck
- West coast uncertainties
- Vessel economics
**History of Panama Canal Expansion**

- **1914** - Opened
- **1930’s** - First consideration for expanding third locks considered
- **1977** - Signing of the Panama Canal Treaty (Torrijos-Carter Treaty)
  - *1988-APL Commissions Post Panamax Vessels*
- **1999** - All canal properties transferred to the Republic of Panama.
- **2006** - Panamanian Voters approved Referendum authorizing expansion of Canal
- **2014** - Target Date for 3rd Locks
TOP EXPORT COMMODITIES, 2011

- Mineral Fuel, Oil Etc.; Bitumin Subst.; Mineral Wax: 35%
- Cereals: 20%
- Oil Seeds Etc.: 19%
- Organic Chemicals: 5%
- Prep Animal Feed: 4%
- Animal Or Vegetable Fats, Oils: 3%
- Plastics Etc.: 2%
- Miscellaneous Chemical Products: 1%
- Iron And Steel: 1%
- Other: 8%
- Miscellaneous Chemical Products: 1%
- Inorganic Chemicals: 2%

Other: 8%

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**Top Import Commodities, 2011**

- Mineral Fuel, Oil: 57%
- Iron And Steel: 9%
- Fertilizers: 6%
- Organic Chemicals: 3%
- Copper: 3%
- Coffee, Tea, Mate, & Spices: 3%
- Rubber And Articles Thereof: 3%
- Inorg Chem; 3%
- Salt; Sulfur; Earth & Stone; Lime & Cement Plaster: 1%
- Other: 9%
- Animal Or Vegetable Fats: 3%
- Other: 9%
TOP TRADING PARTNERS – IMPORTS (VESSEL VALUE)

2003 2004 2005 2006 2007 2008 2009 2010 2011

Africa
Asia
Western Europe
Canada
Mexico
Middle East
South America
Central America
Caribbean
Oceania
Mississippi River and Its Relationship to State Exports (2011)

Shading Indicates Ranking of MS River Traffic based on Share of Export Tonnage

% represents share of Total State exports through the Miss River Corridor (maritime tonnage)
LOUISIANA EXPORTS AS SHARE OF TOTAL STATE GDP 1997-2011
THE PANAMA CANAL AND THE MISSISSIPPI RIVER (PRELIMINARY)

Share of Miss. River Traffic that transits the Canal

- Imports 15%
- Exports 41%

Share of the Canal that moves to/from Miss River

- Share of East Coast Trade 44%
- Share of Total Panama Canal tonnage 25%
TRANSPORTATION MEANS WHAT TO LOUISIANA...

- Physical Infrastructure
- Energy
- Job Creation
- Taxes
- Domestic Transportation
- International Trade
DOES IT FUNDAMENTALLY CHANGE NORTH AMERICAN FLOWS?
WHAT ARE THE VIEWS OF THE PANAMA CANAL EXPANSION IN NORTH AMERICA?

“Eastern”
- “Christmas Tree” Syndrome
- West Coast is “dead”
- See land and lower capacity costs as plus
- Geography favors us

“Western”
- Yet another gateway competitor, especially with Canadian/Mexican gateways coming online
- Asia is our “market”
- Rail Intermodal faster
- Still important despite recent events
- Geography favors us
CHINA AND U.S. GATEWAYS, 2011

- California – Southern Tier
- PNW (US and Canada) – Northern Tier
- Gulf Coast Ports through Panama Canal
- South Atlantic Ports through Suez Canal/Panama Canal
- Airport Gateways
MAP OF COAL PRODUCTION, 2009 (EIA)
CHANGING HINTERLANDS FROM THE PANAMA CANAL?

- Faster Transit
- Economies of Scale
- Landbridge competition
Dry Cargo Capacity - Can I put it in a Truck?

- One 15-Barge Tow
- 216 Rail Cars + 6 Locomotives
- 1,050 Large Semi Tractor-Trailers

Source: Texas Transportation Institute Center for Ports and Waterways
Competing Corridors (FAF, 2010)

- Northbound:
  - Air (include truck-air): 24%
  - Multiple modes & mail: 67%
  - No domestic mode: 0%
  - Other and unknown: 8%
  - Pipeline: 34%
  - Rail: 6%
  - Truck: 7%
  - Water: 28%

- Southbound:
  - Air (include truck-air): 15%
  - Multiple modes & mail: 5%
  - No domestic mode: 0%
  - Other and unknown: 1%
  - Pipeline: 1%
  - Rail: 3%
  - Truck: 0%
  - Water: 28%
Caribbean Transshipment Triangle

Cities:
- Freeport
- Kingston
- Rio Haina
- Caucedo
- Cartagena
- Colon/MIT
- P. of Spain
- P. Cabello
- San Juan

Map showing the Caribbean region with major cities and transshipment points.
LATIN AMERICA AND THE CARIBBEAN: SHARE OF SELECTED PARTNERS IN TOTAL TRADE, 2000-2020 A. (PERCENTAGES)

Source: Economic Commission for Latin America and the Caribbean (ECLAC), on the basis of information from the United Nations COMTRADE Database and national sources.

A/ Projections from 2011 to 2020 are based on GDP growth rates for the years 2000-2010 in Asia-Pacific, China, the European Union, Latin America and the Caribbean, the United States and the rest of the world. The growth rate of trade is expected to converge with the economies’ long-term growth rate.
A Muddled Future

North American Logistics
- Tolls versus Rail Rates
- Other Gateways (Canada, California, Suez Canal)
- Eastern Railroad developments

Expectations
- Everyone is focusing on their part
- What if nothing happens?

Policy
- Dredging
- Trade Agreements
- Security and Regulatory Oversight
- Economy

Shippers
- Near-Sourcing
- Changing Shipment Strategies
- Intermodal Connectivity
- FDI and Market Shifts
- Pace of US Recovery
- Bulk Shipments and investment

Carriers
- Ship Rotations
- Order Books
- Transshipment hubs in region
You Too Could Be A WINNER...
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?
WHO ARE THE PLAYERS?

Private
- Shippers
- Carriers
- Economic Developers

Public
- State
- Local
- Federal
What Must I Do to Be Successful (Public Sector):

- Secure Revenue Stream
- Develop Facilities
- Keep Locals Happy
- Create Jobs
- Promote
- Partnerships

Growth
TWO DIRECTIONS OF DEVELOPMENT

1. Inside-Out
2. Outside-In

- What is your market?
- What facility/services are needed?
- Develop densities and services
- Equipment balances
- Workforce training
- Public-Private partners
WHAT ARE NATURAL MARKETS?
YOU TOO COULD BE A WINNER BUT...

- Find the right public-private sector partners
- Improve connectivity with system and to hinterlands
- Work on funding agreements (incentives)
- Manage Expectations
- Patience
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
Save the Date!

2013 Joint MAFC/ITTS Annual Meeting

Louisville, Kentucky • March 12-14, 2013

Hosted by the Kentucky Transportation Cabinet
MidAmericaFreight.org/events/2013AM