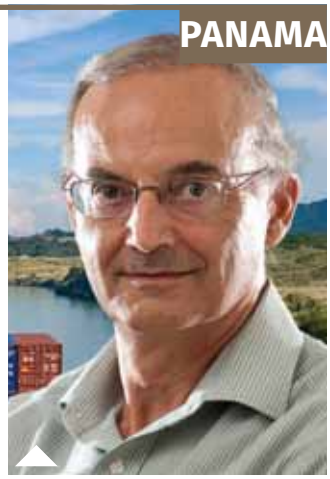
PANAMA

Time to reassess the impact of Panama Canal expansion



Professor Asaf Ashar

In light of recent remarks by President Barack Obama on the expansion of the Panama Canal, a researcher at the University of New Orleans in the United States has called for a reassessment of its possible impact.

Asaf Ashar, a research professor with the university's National Ports & Waterways Initiative, suggested that the assessment should focus on three time frameworks: immediate, or roughly the first five years following the expansion (2015–20); intermediate, covering the next five years; and long-term (post-2025).

Dr. Ashar argued that in the immediate period ship sizes on all-water Asia/US East and Gulf Coasts Panama (AWP) services would quickly increase from the current 4,500 teu to 8,000–10,000 teu (defined as Post II – see table), similar to those currently deployed on all-water Suez (AWS) services. The deployment of larger ships on AWP services would reverse some of the Canal's recent losses to AWS and land-bridges but, unfortunately for the Panama Canal Authority (ACP), would be unlikely to precipitate a "game change".

He explained that deployment of Post II ships on AWP services is unlikely to trigger a change in service patterns from the current one based on direct calls at US East and Gulf Coast ports to a hub and spoke system, considering that similar ships have already been deployed on AWS services for a number of years.

Dr. Ashar predicted that the intermediate period would see the deployment of larger 13,500 teu ships, defined by him as new-Panamax (NPX), for which the expanded Panama Canal is designed, on both AWP and AWS routes. Due to US port constraints, their deployment would trigger this shift from direct calling to hub and spoke. This trend, he reasoned, will accelerate later, when Post III vessels of 18,000 teu currently serving Asia–Europe trades are deployed on AWS, providing it with a renewed advantage over AWP.

In this future hub and spoke system, feeder services are likely to be based on foreign hub ports in the Caribbean and Canada, where the cost of transhipment is about half that at US ports and the cost of foreign feeders is about half that of US-flagged (Jones Act) feeders. A study recently published by Ashar found that using US-flagged ships for feedering was not feasible even if the US-built stipulation in the Jones Act was waived.

Dr. Ashar's study poses a challenge to the American Marine Highway programme of the US Department of Transportation, which is intended to promote coastal shipping by Jones Act ships. Still, he argued, the main purpose of the programme – relieving coastal highway congestion – may be achieved since foreign-flag feeder services, employing smaller ships, will call at secondary ports, closer to the cargo's hinterland origin/destination points. This, in turn, will reduce trucking of containers and the related pressure on coastal highways, he concluded. ■

Category	Name	TEUs	DWT	LOA x Beam x Draft	Under-Below-Across
Panamax	CSAV Rio de Janeiro	5,300	67,000	295 x 32.3 x 13.5	8-6-13
Post I	HSD Rio Negro	5,900	74,000	286 x 40 x 13.5	9-6-15
			1:2.5		
Post II	Sovereign Maersk	8,000	105,000	347 x 42.8 x 14.5	9-6-18
Post III	New Panamax	13,500	145,000	366 x 49 x 15.2	10-6-19/20
Post III	Emma Maersk	15,000	157,000	397 x 56.4 x 15.5	10-8-22
			1:2.3		
Post III	Triple E	18,000	165,000	400 x 59 x 15.5	10-8-23
Post III	Malacca-Max	30,000	295,000	460 x 63 x 21.0	12-9-25
					Ashar 2014

Categorisation of container ships