

Dredging – Key Factor for US Container Port Call Strategies

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In advance of debate at the upcoming TOC Americas 2013 conference in Miami, Dr. Asaf Ashar argues that dredging may turn out to be the key factor driving long-term US container port call strategies on both Suez and Panama all-water services.

How will Panama Canal expansion impact shipping and port networks across the Americas? This has been a topic of intense debate over some years now and while there appears to be fairly widespread agreement on some issues, the jury is still very much out on others.

Where the maritime community seems to have reached a fair consensus is on the size of the ships that will be deployed on All-Water Asia/US East Coast (USEC) through Panama (AWP) services. Once the widened Canal opens, ship sizes are anticipated to increase quickly from the current average 4,500 TEU up to around 8,000 TEU – similar to the size of ships presently deployed on All-Water Suez (AWS) services. There is also general agreement that despite the considerable increase in ship size and the respective reduction in shipping costs, the AWP route is likely to see only a modest increase in market share relative to its main rivals, the AWS and the US West Coast (USWC) landbridge.

Where opinions start to diverge more sharply is on the impact of Canal expansion on carriers' North American service patterns and, especially, whether the present approach based mainly on direct port calls will be replaced, at least in part, by a hub and spoke system.

Considering that the deployment of 8,000 TEU ships on AWS, which began in 2011, has so far had no impact at all on the prevailing direct service pattern, any change is not likely to be swift. A recent review of AWS rotations on the USEC indicates that they are still based on direct calls even at relatively small ports like Boston – handling 190,000 TEU a year – and at ports with relatively shallow channels like Savannah, GA, currently with 42ft alongside. It is reasonable to expect that the deployment of similar ships on the AWP will have a similar impact on service pattern – meaning no impact, at least initially.

But, the locks of the expanded Panama Canal are designed for New-Panamax (NPX) ships, which are forecast to initially have capacity of 13,500 TEU and eventually 15,000 TEU. Following worldwide trends, it is quite likely that NPX will be deployed on AWP as well as on AWS services within 5 years or so following the expansion. Interestingly, this possibility was considered unlikely in channel-deepening studies undertaken by the US Army Corps of Engineers, the Federal agency in charge of US ports' channels. Accordingly, the design ship for these channels is just 8,000 TEU! The Corps also dismissed the possibility that in the longer term, ships bigger than NPX, such as the 18,000 TEU Maersk Triple-Es

recently deployed on the Asia-Europe trade, could be used on AWS services; and that in the even longer future ship size may reach the 28,000 TEU Malacca-Max (MLX).

It is not unfeasible that that introduction of ships too large for USEC ports' newly-dredged channels will trigger a change in the service pattern of both AWP and AWS to hub and spoke. In this case, USEC ports would find themselves served by feeder services based on foreign hubs in the Caribbean region for AWP and Canada for AWS. This change in service pattern could be avoided by further deepening of USEC ports' channels. However, considering the arduous process of the recent deepening projects, the prospects for this happening look pretty dim.

If indeed the AW service pattern is transformed into hub and spoke, it is reasonable to assume that the AW feeders will call at smaller ports previously bypassed by direct AW services. The additional calls may have a limited impact on the traffic of ports with captive hinterland, such as NY; it may have a critical impact on ports like Miami, which have invested heavily in water, road and rail accesses hoping to be a first-in and last-out for AWP and capture a large share of southeastern US traffic. It will be interesting indeed to hear what the industry makes of these various issues when the various parties assemble in Miami this October.

Dr. Asaf Ashar is Research Professor with the US National Ports & Waterways Initiative (NPWI), and also an independent maritime and port consultant. Among many other activities, he has published over 50 academic papers, reports and theses, including the highly publicized series on *The Fourth Revolution: Long-Term Prospects of Liner Shipping*, first published in 1999/2000 and recently revisited as the *Revised Fourth Revolution*, published in *Port Technology, Journal of Commerce and World Cargo*, between Sep 2012 and March 2013. Dr. Ashar will be chairing a round-table discussion on Panama vs. Suez and prospects for direct call vs. transshipment as part of the Big Industry Debate at TOC Container Supply Chain Americas 2013, on the afternoon of Tuesday 1 October.

<http://www.dredgingtoday.com/2013/08/30/dredging-key-factor-for-us-container-port-call-strategies/#.UiJgw2lhEt8.gmail>