Canal expansion first step in Panama’s hub development plans as traffic is won from Suez

Last week, Ti’s Chief Executive, Professor John Manners-Bell, moderated a session at a conference in the City of London looking at the potential of Panama as a market for future investment. The conference was entitled, ‘Panama: The gateway to Latin America’ and organized by the Caribbean Council. The day included an address by The Rt Hon Sir Alan Duncan KCMG MP, Minister of State for Europe and the Americas, Foreign & Commonwealth Office and Hon Augusto Arosemena Moreno, Minister of Commerce and Industry, Panama.

In his introduction to the session entitled ‘Connectivity: Panama’s unique value for multimodal logistics and energy distribution’, Prof Manners-Bell talked about the potential for Panama to become a major regional hub following the successful expansion of the canal.

Manners-Bell highlighted the market’s unique position as a platform for trade and transport. Although the canal’s $5.4bn expansion had resulted in more than 2,000 additional vessels being able to pass through it, delivering considerable extra revenues for the Panamanian government, the key to success would be to ensure that shippers started to use the country as a hub for distribution purposes rather than solely a transit country.

He went on to say that for shippers to locate their hubs in the market, the government needed to lay the foundations for a modern, efficient and reliable logistics industry. For this to be achieved a focus on a range of inter-related networks was required. This not only includes the physical flow of goods, but also robust networks for finance, information and communications technology and people as well as energy.

In addition to the canal and its port infrastructure, Panama can also boast the most connected airport in Latin America, Tocumen, as well as an interoceanic railway. The government has also grasped the importance of the digital economy including efforts to create a Control Tower in conjunction with Georgia Tech University, which monitors the effectiveness of all these modes.

Manners-Bell also praised collaboration efforts by the Panamanian and UK governments, working together on education programmes which would help develop the new generation of multi-lingual workers – an essential attribute to compete in the global marketplace.
Panama has won traffic from Suez

The expanded canal is already transforming trade flows and supply chains in the region. It is being reported that traffic is now being diverted from US West Coast ports to those on the East Coast and even winning business from the Suez Canal.

Until the Panama Canal expansion opened in June 2016, the Suez Canal had been increasing its share of Far East to US East Coast container traffic. This was because of economies of scale and vessel cascading. It was more efficient to send 5,500-10,000 TEU vessels through the Suez Canal, rather than take the route through the Panama Canal with smaller ships (maximum 5,000 TEUs), even if the Panama route was shorter.

According to recent Alphaliner data, headhaul capacity on the Asia to US East Coast route transiting the Panama Canal has risen to 74%, similar to the level it had in 2010. Its share of container traffic had fallen to 48% at the beginning of 2016 (post-Suez expansion, pre-Panama expansion), clearly a substantial shift away from Suez towards Panama.

The Suez Canal’s additional lane has allowed vessels to travel concurrently in both directions, decreasing waiting times and hastening transit times. But put next to the capability of being able to move much larger vessels through the Panama Canal, it is clear why so much traffic has switched.

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