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Canal expansion could boost transshipment

The expanded Panama Canal and growing size of containerships will result in wider use of all-water services from Asia and increased use of transshipment services, said speakers at a Tampa conference Tuesday.

Depending on the response of West Coast ports and railroads, the expanded canal could open all-water routes from Asia through ports on the Gulf and East coasts to points as far West as the Mississippi River or Denver, said Orlando Gotay Jr., senior advisor for maritime policy at the U.S. Maritime Administration.

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"It is all too clear we are facing a new freight delivery market. To best take advantage of efficiencies of this market the federal government will play a more active role," said Gotay at the conference, which was co-sponsored by MarAd and the American Association of Port Authorities.

"We need to help coordinate port access and capacity issues," he said. "If not it could add costs to U.S. consumers and exporters and impact the competitiveness of our transportation industry."

Gotay was acting as stand-in for the conference session, on shifting international trade routes. David Matsuda, President Obama's choice to head MarAd, was in Washington for his confirmation hearing before the Senate Commerce, Science and Transportation Committee. Gotay mentioned Matsuda is commissioning a study of the freight transportation system that would take into account factors such as the expanded canal and growing size of ships.

Zubieta

Alberto Aleman Zubieta, chief executive of the Panama Canal Authority, gave an update on the expansion of the canal that showed various stages of the expansion moving at or ahead of schedule.

With the completion of the canal "there will be more containerships and they will be a lot larger," and that is likely to lead to more cargo being transferred to and from smaller feeder vessels, said Richard Wainio, executive director of the Port of Tampa.

Wainio

The expansion will boost the maximum size containerships using the Panama Canal from about 4,800 TEUs to 12,600 TEUs. While some East Coast ports may be dredged to handle the largest ships, Wainio said many would not be handle vessels larger than 7,000 TEUs.

While referencing an article that referred to transshipment as a "worst-case" method for moving cargo, Wainio said it was a means to "spread the wealth."

Load centering is necessary to bring balance to trade flows. It allows the use of larger ships with their attendant economies of scale, and reduces the need for unnecessary investment in all ports wanting to participate in the container trade, he said.

"You can spread the wealth by allowing more ports to be players, and if done right reduce costs to consumers and does not materially impact time and quality of service and will be increasingly important connecting the U.S. and the rest of the world," he said.

Ward Chaplin, logistics manager for Southern Wine and Spirits of America, said his company does not object to using services that transship cargo, but said it is essential that shippers have good visibility so that they know their cargo has been successfully transferred from one ship to another.

Robert West, a principal in trade and transportation at the consulting firm Halcrow, noted that because of the growing size of ships, 30 percent of containerships will account for 64 percent of capacity by 2012.

He said there are many ports vying to be transshipment hubs on the islands of the Caribbean or surrounding mainland of Central and South America. These include Freeport in the Bahamas; Kingston, Jamaica; Rio Haina and Caucedo in the Dominican Republic; Cartagena, Colombia; Manzanillo and Colon, Panama; Puerto Cabello, Venezuela; Port of Spain, Trinidad; and San Juan, Puerto Rico.

West said use of transshipment hubs in the Caribbean would give carriers using the Panama Canal the ability to load cargo bound for or originating in multiple destinations -- ports in South and Central America, as well as the U.S. Gulf and East coasts.

"For the shipping line this is a great advantage because it allows it to gather more quickly and easily cargo needed to get to his breakeven point," he said.

But West said he thinks several of these ports are unlikely to become major hubs. These include Puerto Cabello, where a terminal that had been run by DP World has been taken over by the Venezuelan government, and he thinks there has been insufficient investment in Rio Haina.

He judges Port of Spain as being too far east from the main shipping routes to North America to be widely used as a transshipment hub, but allowed it might be used for cargo moving to and from Brazil and Europe.

He also believes that Puerto Rico -- neither San Juan on the north side of the island, or the new Port of the Americas terminal in Ponce on the south side -- have the ability to be widely used as a transshipment hub because of the higher cost of Jones Act shipping. Cargo moving between Puerto Rico and the U.S. mainland must move in U.S.-built ships and crewed by Americans, which increases costs.

But Rhonda M. Castillo Gammill, executive director of Port Authority of the Americas, said the government hopes to make Ponce an attractive destination for carriers by surrounding the port with manufacturing, logistics and other trade-related businesses.

The port, which this week received delivery of its first two container cranes, is negotiating a contract with Korea Express Busan Container Terminal to operated the facility.

West said one country that is not yet a major transshipment hub, but could become one, is Cuba.

"I don't want to get into the politics, but the island is in a fantastic location," he said. "We in the United States are a little blind to what is going on in Cuba, and in the meantime the rest of the world is focusing on Cuba.

"I've been told the Chinese are everyplace, and folks from PSA and Singapore were recently invited by the government to examine the best place for a transshipment hub," he said. "The Cubans are aware of what is sailing around them and the possible potential of turning someplace into a viable transshipment hub." **— Chris Dupin**