

# Panama Canal Expansion Impact and Opportunities for the Region



CANAL DE PANAMÁ

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# Agenda

**Panama Canal Overview**

**Panama Canal Expansion  
Program Update**

**Implications and Opportunities**

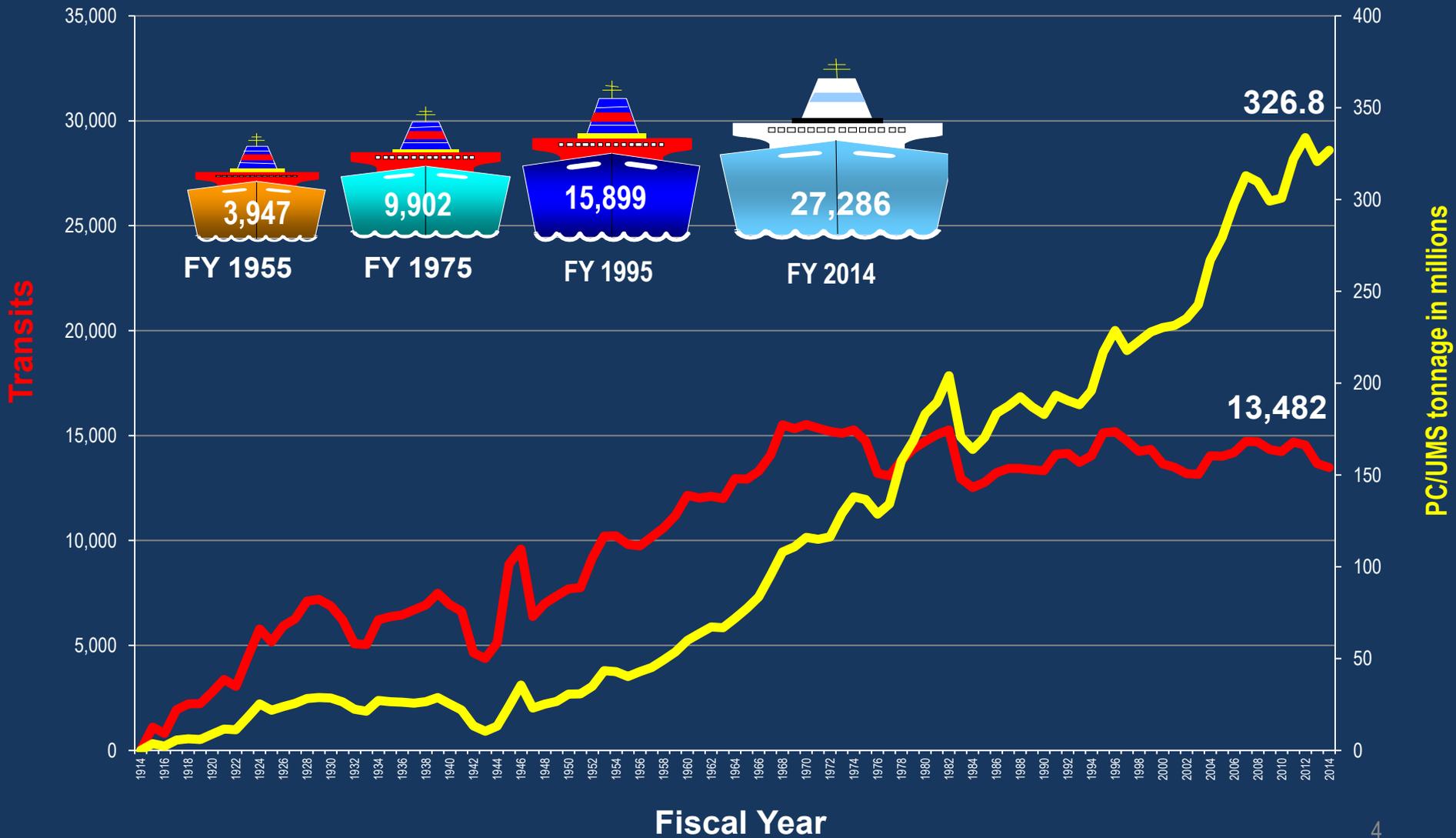
**What's next**

# THE PANAMA CANAL

1903 - 1914 Construction of a Locks type Canal by the U.S.



# Transits vs PC/UMS Tonnage FY 1914 – FY 2014



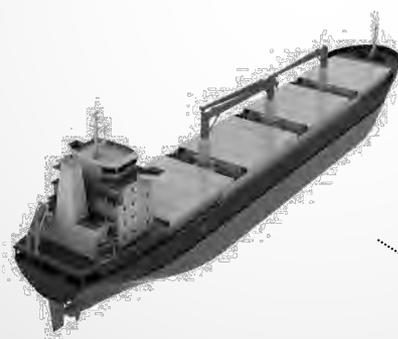
# AN IMPORTANT CHANGE IN PERSPECTIVE

## MODERNIZATION



One price for all vessel types.

No segmentation



Differentiation by size

Identified segments

A more structure pricing proposal



# THE PANAMA CANAL TRADE

## AND MAIN USERS



### Total Cargo Movement FY 2014

USERS	FY 2013*	FY 2014*	2014 (%)
United States	136.5	154.1	68.5
China	46.4	51.5	22.8
Chile	29.0	29.5	13.1
Japan	20.0	21.7	9.5
Colombia	17.5	19.2	9.6
South Korea	16.8	19.1	8.5

\* Measured in Million of Long Tons

**Total Cargo  
Movements 224.9  
Million Long Tons**

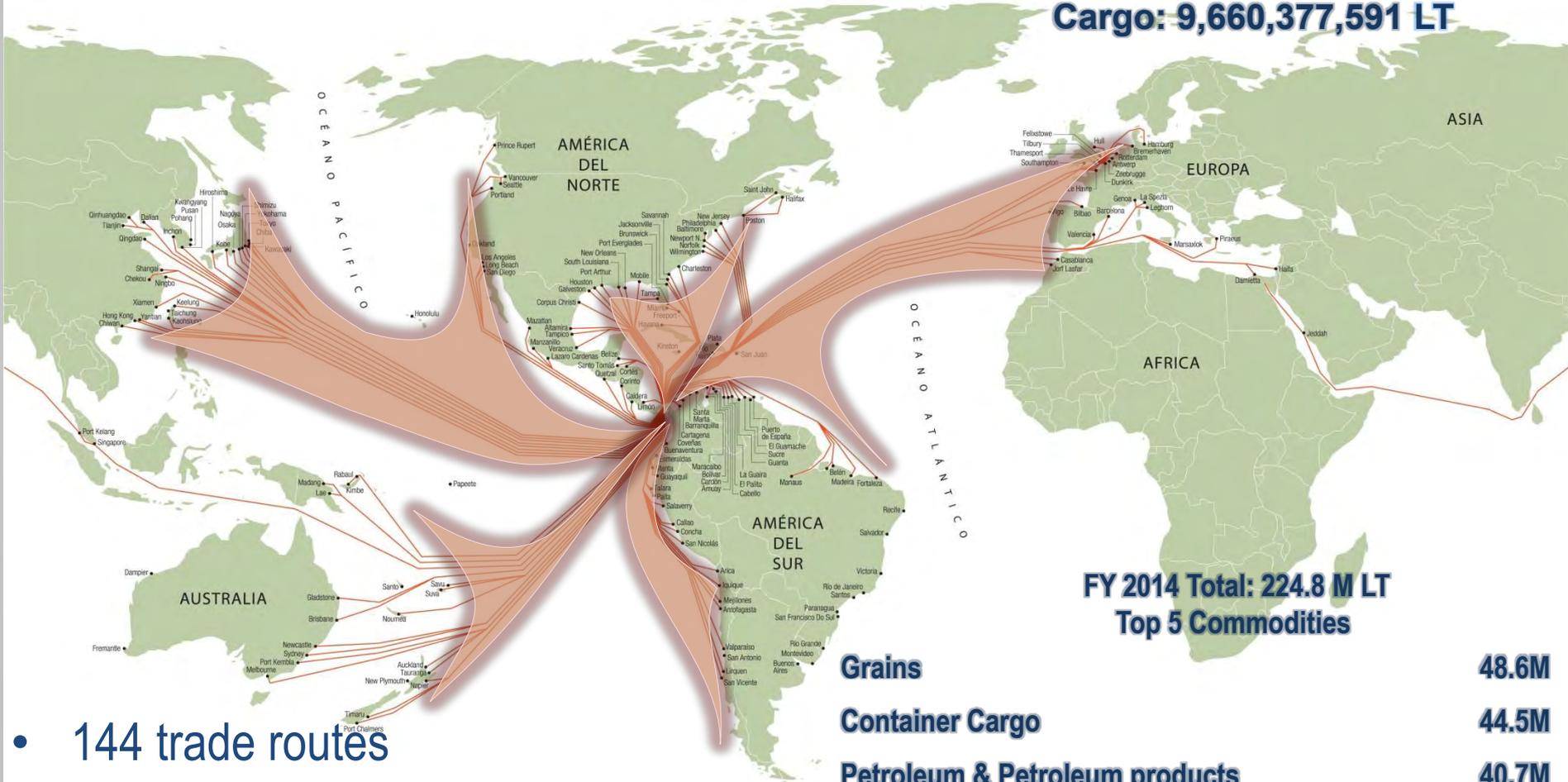
# Main Routes - FY 2014



Asia - East Coast US		86.2M
West Coast South America - East Coast US		33.4M
West Coast South America - Europe		12.6M
West Coast Central America – East Coast US		12.0M
South America Intercoastal		10.9M

# It's all about Connectivity

**1914 - 2014**  
**Transits: 1,057,332**  
**Cargo: 9,660,377,591 LT**



**FY 2014 Total: 224.8 M LT**  
**Top 5 Commodities**

<b>Grains</b>	<b>48.6M</b>
<b>Container Cargo</b>	<b>44.5M</b>
<b>Petroleum &amp; Petroleum products</b>	<b>40.7M</b>
<b>Metals and Ores</b>	<b>15.0M</b>
<b>Coal and Coke</b>	<b>14.3M</b>

- 144 trade routes
- 1700 ports
- 160 countries

# PANAMA CANAL'S SHARE OF GLOBAL SEABORNE TRADE

- 3.0% of world maritime trade
- 10.6% of grains
- 5.8% of chemicals
- 6.2% of containers



# The Panama Canal Service Package

**Economies of Scale**

**Connectivity**

**Sustainability**

**Reliability**



**CANAL DE PANAMÁ**



# Reliability

- Opens 24 hours a day, 7 days a week, 365 days a year
- Safe and secure
- 98% customer satisfaction
- Strikes not allowed by law; only two closures in its history
- Predictability: Published tariffs and fixed transit date with reservation

# Accumulated Investment – Capex (USD millions)

## Dredging



## Bridge over Atlantic side



## Launches



## Ground dams



## Fuel Pipeline and Tank Farm



## Tugboats



Sustainability

# Liner Services Connectivity of Panama



Commercial Route	No. Of Services	Annual Capacity	No. of Vessels	Average Vessel Size
Feeder Services Atlantic	25	2,456,006	88	2,490
Feeder Services Pacific	14	3,106,958	84	6,314
<b>Total</b>	<b>39</b>	<b>5,562,964</b>	<b>172</b>	

Commercial Route	No. Of Services	Annual Capacity	No. of Vessels	Average Vessel Size
Asia – USEC / Gulf	14	3,303,521	139	4,549
WCSA – Europe	7	1,213,667	55	3,556
WCSA – ECUS	2	438,919	13	4,245
Pendulum	2	481,406	30	4,629
WCUS – Europe	3	660,381	29	4,288
Asia – Caribbean	1	242,805	12	4,669
Australia – Europe	1	55,085	6	2,421
Australia – ECUS	1	178,142	10	3,426
WCSA – Caribbean	2	134,560	7	1,282
<b>Total</b>	<b>33</b>	<b>6,708,486</b>	<b>301</b>	<b>4,186</b>

Source: ACP MEMN, Compar Data, July 2015

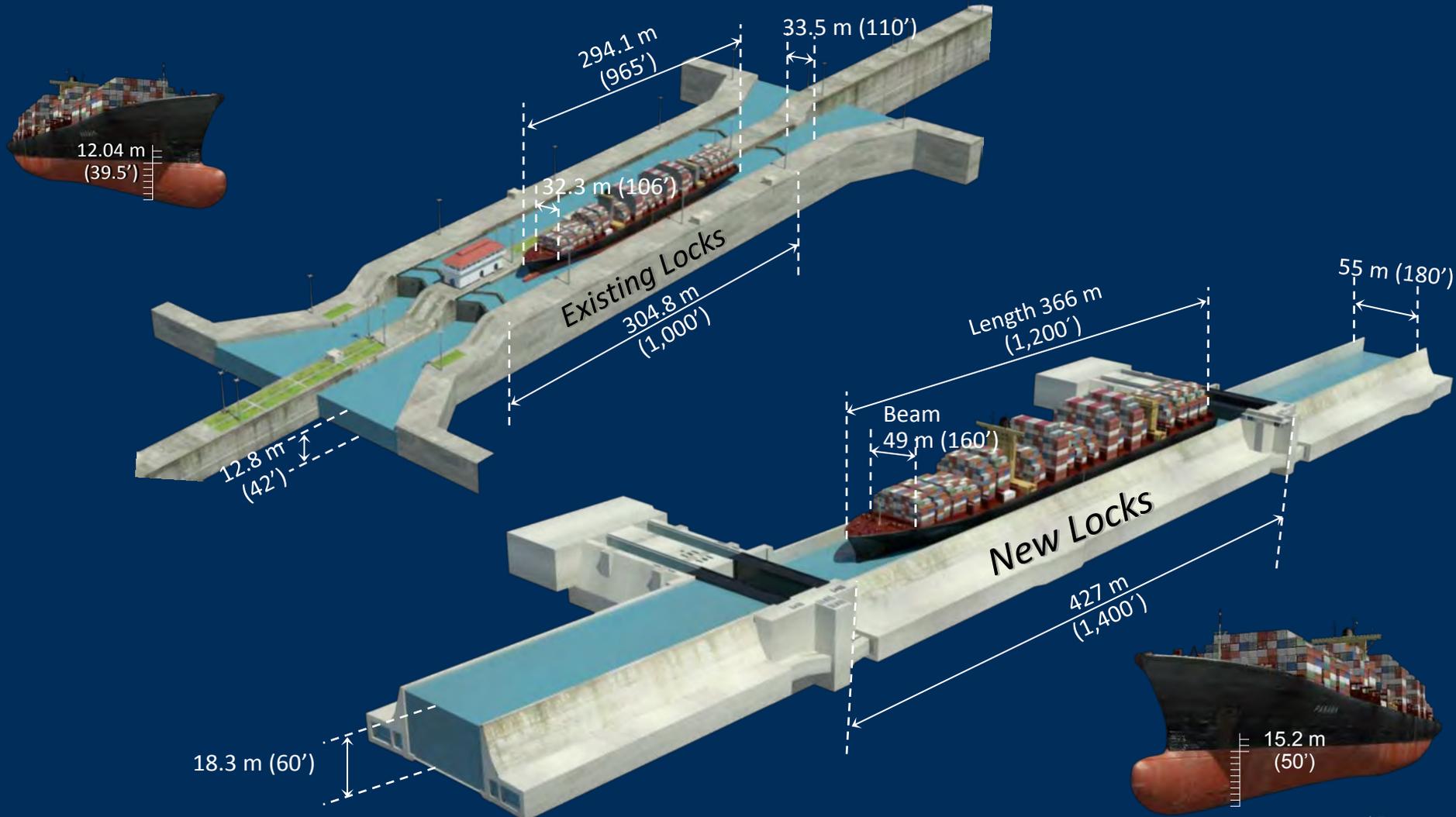


# Economies of Scale

# Dimensions of Locks and Vessels

Maximum size of vessels in existing Locks:

4,400 TEU



Maximum size of vessels in new Locks: 13,000 – 14,000 TEU

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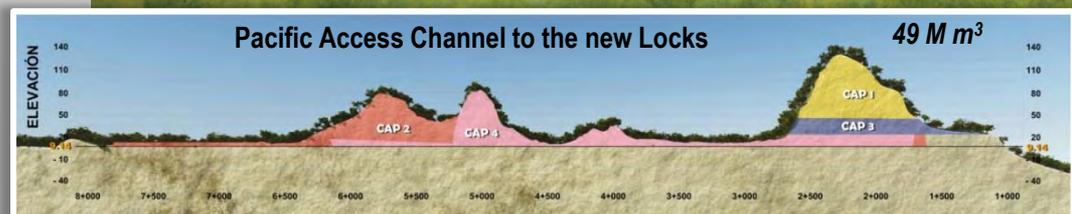
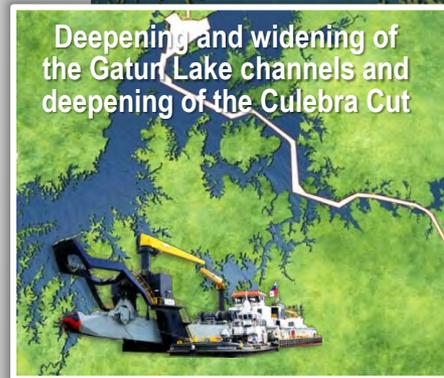
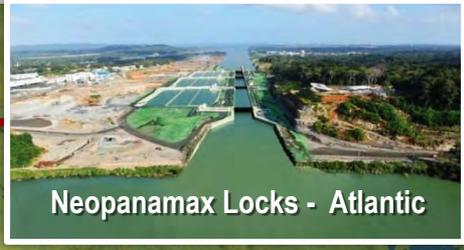
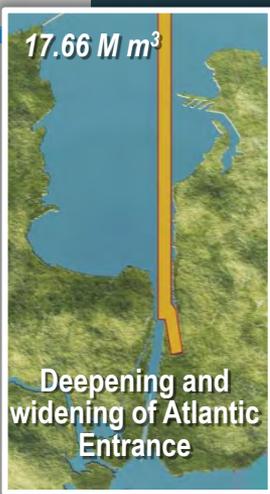
Panama Canal Overview

**Panama Canal Expansion  
Program Update**

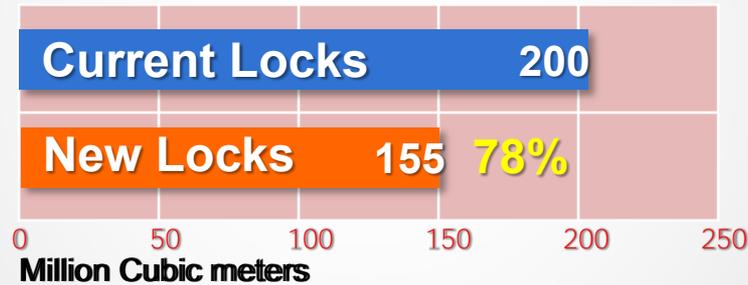
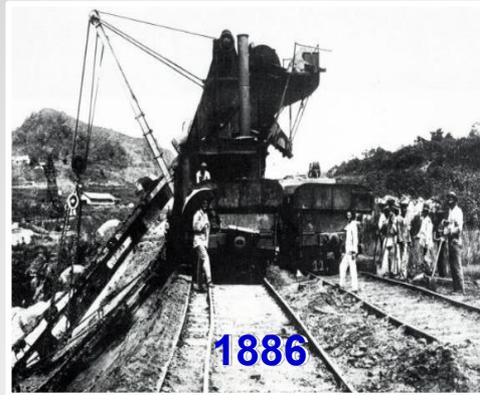
Implications and Opportunities

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# Expansion Program Components

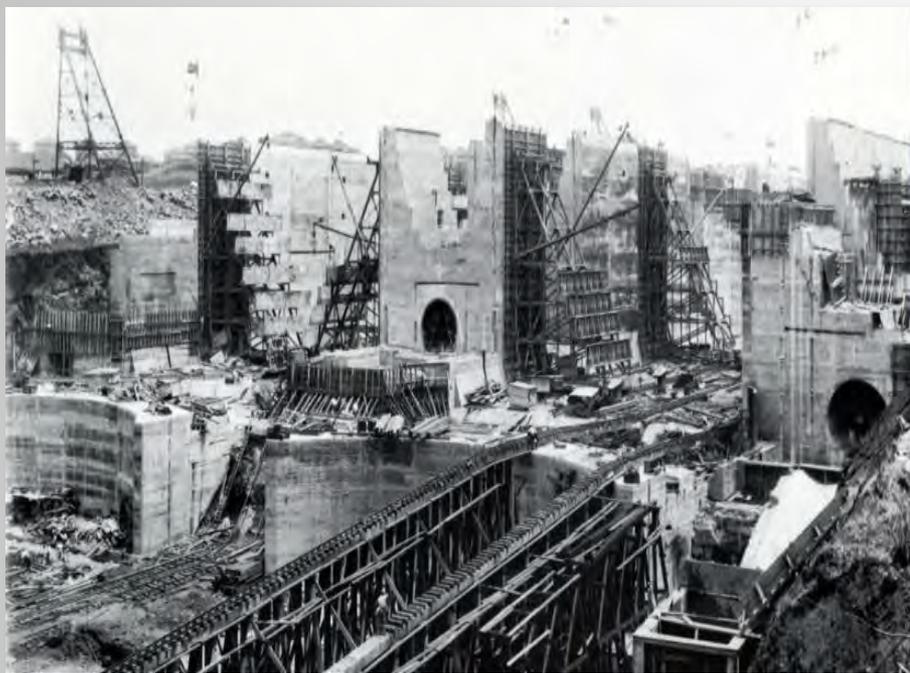


# Excavation and Dredge Volume

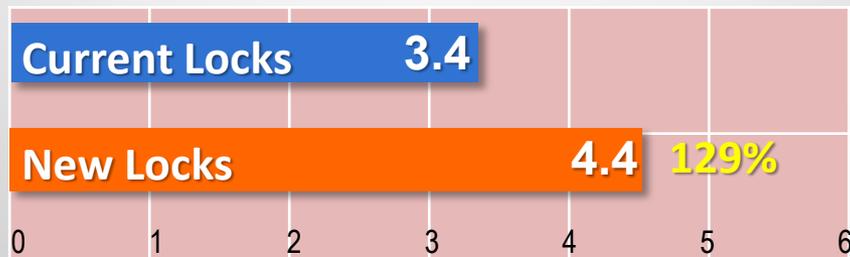


# Expansion Program Components – Concrete Volume

## Existing Locks



## New Locks



In million cubic meters

# PANAMA CANAL EXPANSION UPDATE

# Panama Canal Expansion Milestone: FILLING OF THE ATLANTIC LOCKS COMPLEX



# Successful tests of the gate operation in the Atlantic Side

**June 23, 2015**

The gates have buoyancy tanks that allow them to weigh 15% of their actual weight inside the water-filled new locks.



# Panama Canal Expansion Moves Ahead with Filling of New Pacific Locks



**June 22, 2015**

The intricate filling process will make use of powerful electric and diesel pumps, designed specifically for the job. The electric pumps are expected to provide 30,000 gallons of water per minute each, while an added network of 13 diesel pumps will work to pump 7,000 gallons of water per minute each, filling the lower chamber at a rate of nine inches per hour.

The filling and subsequent testing of the new Pacific locks is expected to take approximately 90 days to complete.

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# Impact of Canal Expansion



**Reduces  
transport cost**

**Improves  
productivity  
and flexibility  
of carrier**

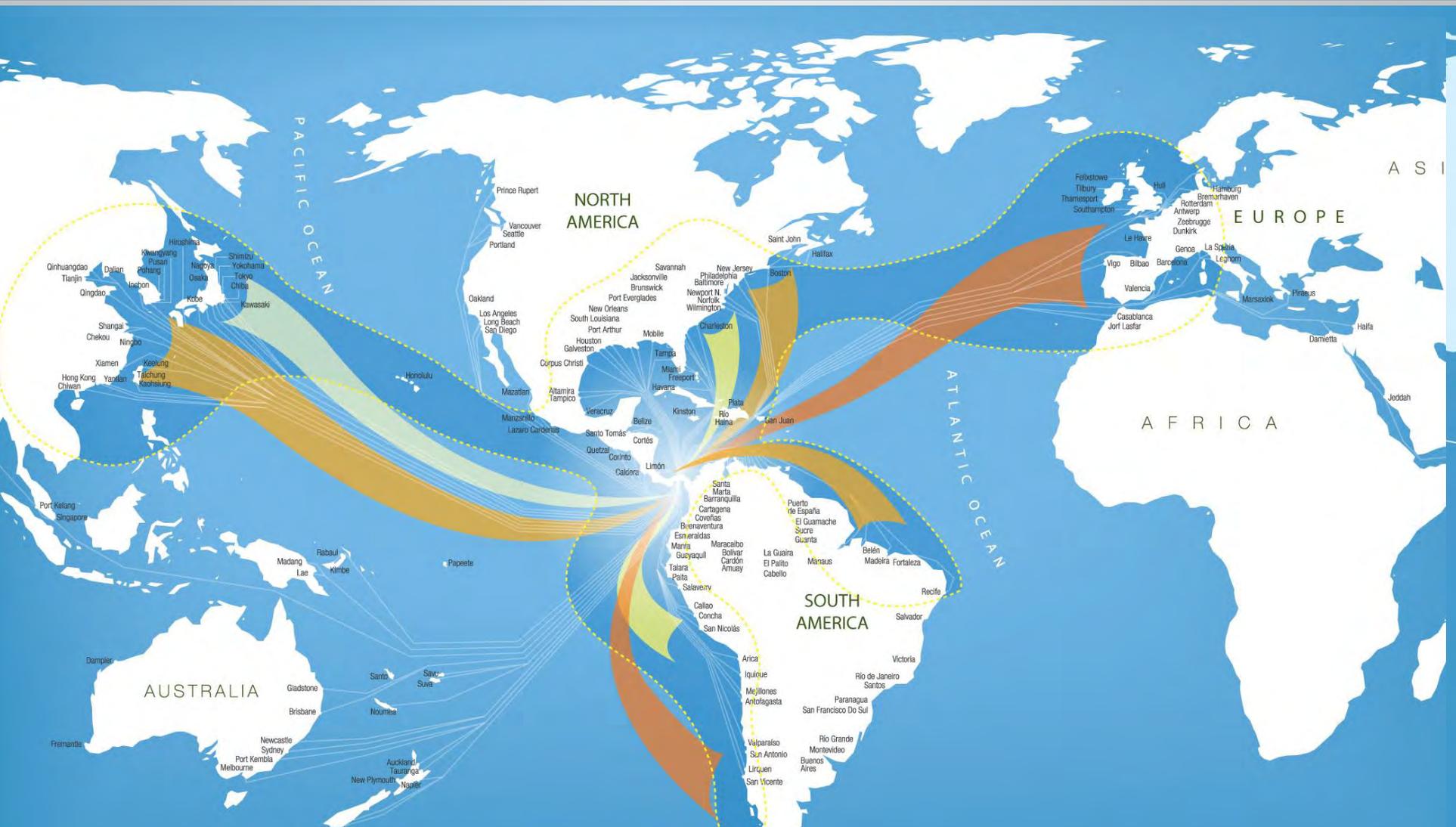
**Reduces CO<sub>2</sub>  
emissions**

**Improves the  
competitive-  
ness of the  
Panama route**

**Improves  
carrier's  
network  
performance**

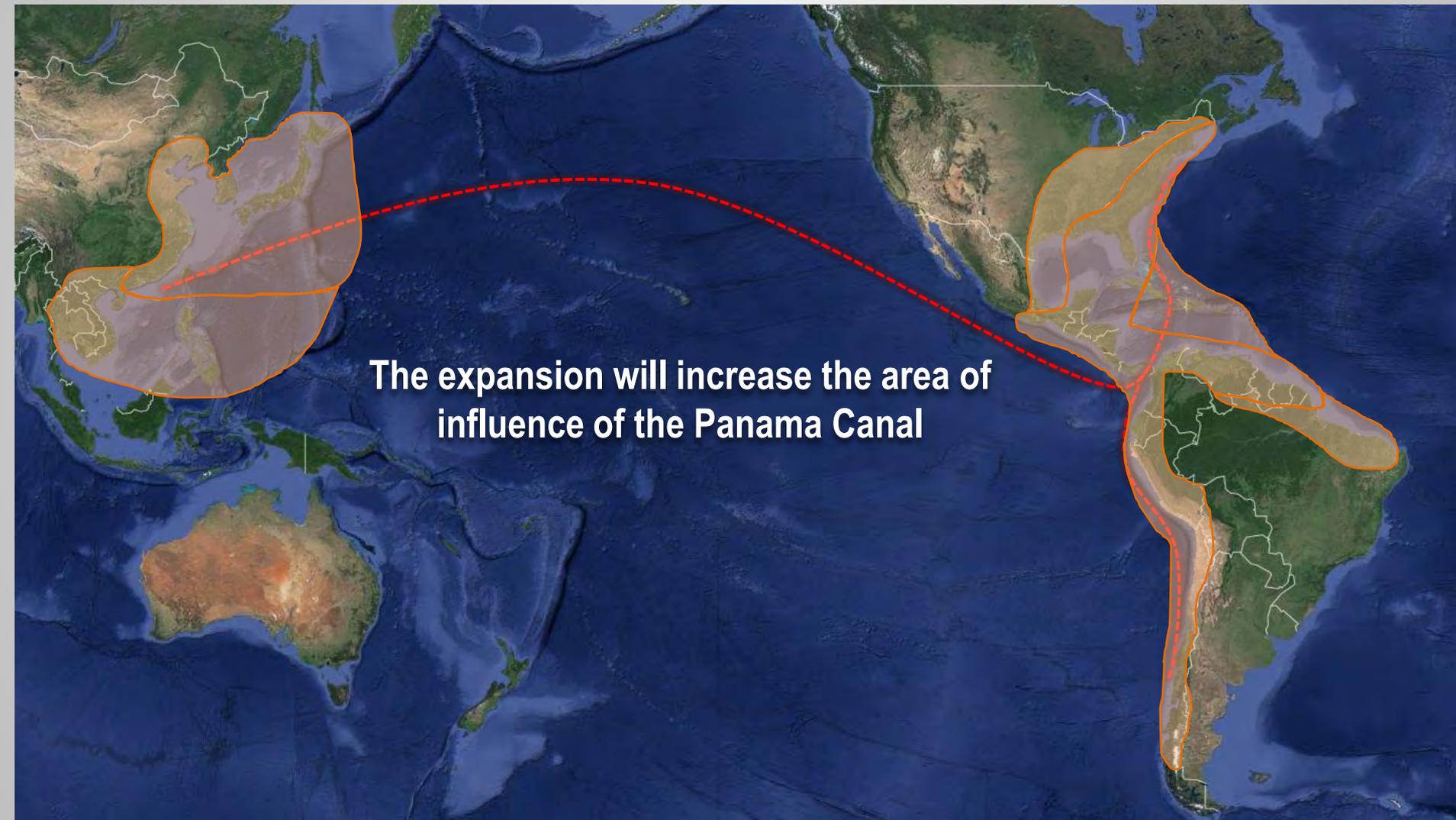
**Impacts  
development  
on ports and  
land  
infrastructure**

# It's all about Connectivity



144 trade routes 1,700 ports 160 countries

# Panama provides easy and direct access to markets in Latin America, Caribbean, North America and Europe



The expansion will increase the area of influence of the Panama Canal

# PANAMA'S COMPETITIVE ADVANTAGE

- Land availability
- Sea-air connectivity (for parts)
- Sea: All major carriers have weekly services through Panama
- Air: DHL, COPA, UPS, FEDEX, Avianca
- Skilled labor to provide value added services (final detailing, refurbishing, reverse logistics, etc.)
- Panama offers Legal and Financial tax incentives to Multinational Companies that establish their regional headquarters in Panama.
- Panama offers a place to keep stock near final regional markets.



# PANAMA and the WORLD RANKING

## Quality of port infrastructure

1. Netherlands
2. Singapore
3. Hong Kong
4. **Panama**
5. UAE
6. Belgium
7. Finland
8. Iceland
9. Germany
10. Bahrain
11. Sweden
12. United Kingdom
13. Denmark
14. Spain
15. Malta

Well developed and efficient by international standards

## Affordability of financial services

1. Hong Kong
2. **Panama**
3. Luxembourg
4. Taiwan, China
5. Singapore
6. Qatar
7. Bahrain
8. Switzerland
9. Finland
10. Norway
11. Malaysia
12. Puerto Rico
13. United States
14. Saudi Arabia
15. United Kingdom

Ensure the provision of financial services at affordable prices

## Soundness of banks

1. Canada
2. South Africa
3. New Zealand
4. **Panama**
5. Australia
6. Finland
7. Hong Kong
8. Singapore
9. Norway
10. Barbados
11. Chile
12. Lebanon
13. Malta
14. Brazil
15. Mauritius

Generally healthy with sound balance sheets

## FDI and technology transfer

1. Ireland
2. Qatar
3. **Panama**
4. Singapore
5. Costa Rica
6. UAE
7. Luxembourg
8. Saudi Arabia
9. Slovak Republic
10. Hong Kong
11. Bahrain
12. Hungary
13. Uruguay
14. Israel
15. Mexico

Foreign direct investment (FDI) bring new technology

## Business impact of rules on FDI

1. Ireland
2. Singapore
3. Bahrain
4. Hong Kong
5. **Panama**
6. Luxembourg
7. Uruguay
8. Slovak Republic
9. Mauritius
10. Malaysia
11. Taiwan, China
12. Chile
13. United Kingdom
14. UAE
15. Estonia

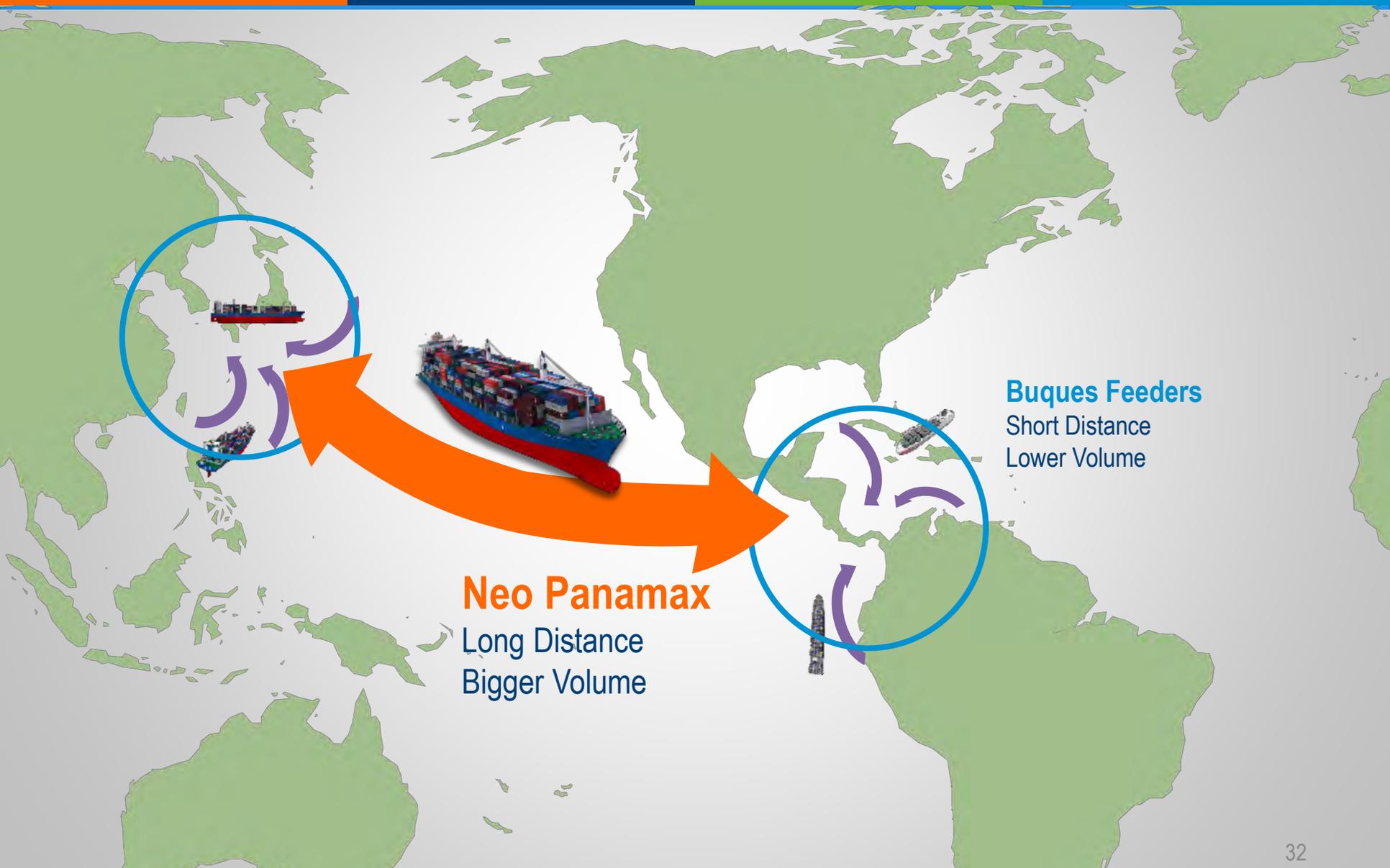
Rules governing foreign direct investment (FDI)

# Multinational Regional Headquarters



# Prove of reliable connectivity

# Network Economies



# Benefits from Transportation Cost Savings

EXPORTERS



SHIPPING LINES



IMPORTERS

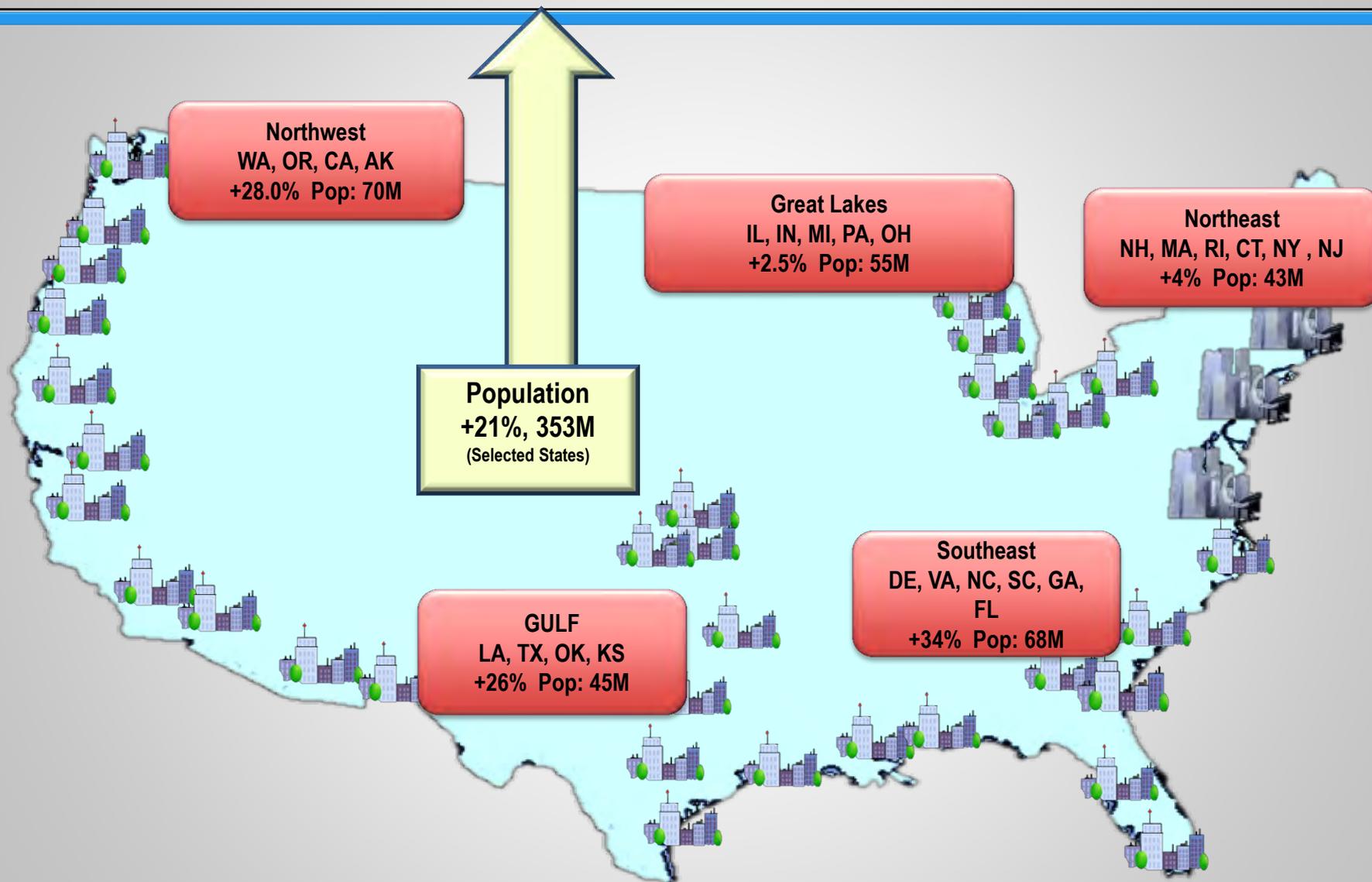


CONSUMERS

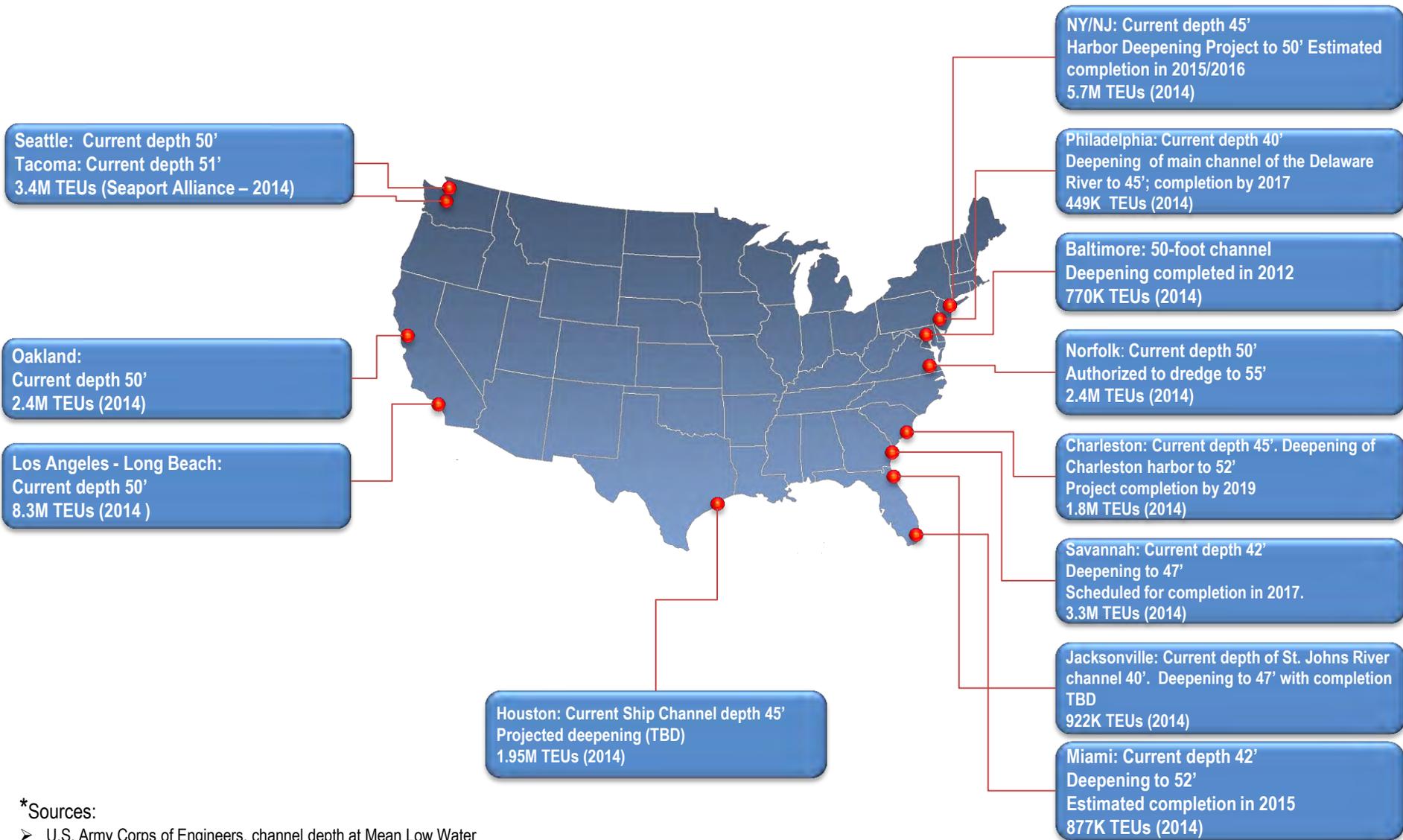


Economies of scale - Efficiencies in the supply chain – Connectivity  
New Opportunities for business

# Urban Population Growth Projection 2010-2030



# Top United States Ports / Navigational Channel Depths\*



**\*Sources:**

- U.S. Army Corps of Engineers, channel depth at Mean Low Water
- Individual port authorities
- American Association of Port Authorities: Western Hemisphere Port Container Traffic through January 2015

# Urban Population Growth Projection 2010-2030

Mexico +18.9%  
Pop: 135M

Caribe, Cuba, Puerto Rico, Dominican Republic,  
Jamaica, Haiti +11.0%  
Pop: 42M

Guatemala, El Salvador, Belice,  
Honduras, Nicaragua. +28.0%  
Pop: 39M

Costa Rica, Panama  
+23.0%  
Pop: 11M

Colombia, Venezuela +22.0%  
Pop: 88M

Ecuador, Peru,  
Bolivia, Chile +20.0%  
Pop: 85M

Uruguay, Paraguay, Brazil,  
+18.0%  
Pop: 251M

Argentina, +17.0%  
Pop: 48M



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# Panama Canal Diversification Strategy

There is a close relationship between the Canal and other maritime and logistic activities that have proven to add value to the users of Panama as a Trade Route.

Our diversification strategy focuses on related activities that are profitable and enhance the Canal's core business.



Corozal Container Terminal



Ro-Ro Terminal



Logistics Park Services



Container Barge Services



Bunkering



LNG Terminal



Top-Off



Vessel Repair

# Panama: The Transportation and Logistics Hub of the Americas

## Panama

