

Hi, Fred Nelson for Community Comment.

Is the newly enlarged Panama Canal a “Game Changer” for United States ports? An article in “Sea Power”, the Navy League publication, addresses the question and, if you are interested in world shipping, it generates a lot of questions on the subject. A five hundred twenty five million dollar expansion has more than doubled the Canal’s tonnage capacity. The new set of locks can accommodate vessels up to a width of one hundred sixty feet, an increase of fifty feet over the old with the length now one thousand two hundred feet which is an increase of two hundred thirty five feet and the depth from forty feet to fifty feet. Some believe that the Panama enlargement was the cause of the ongoing expansions of major United States Ports. This is not true as the ports were looking at the bigger picture, the increasing number of container ships exceeding the size of even the new Panama Canal. These new giant ships can use the Suez Canal so sea shipping routes change accordingly. The Panama Canal has been handling about six percent to the world’s container traffic. With the expansion the impact of the expanded canal and what that might mean for ports in the U.S. is still open to conjecture. A trade economist by the name of John D. Martin made a thought provoking statement “The one thing we have known for the past five or six years, and that we can be sure of it, the ships are going to be bigger. The only thing the Panama Canal does is provide a funnel that is larger now to bring bigger ships in. Whether there is going to be an increase in freight and volumes is really totally dependent on the logistics freight cost. There are so many factors that really influence what we call the logistics freight cost.” While trade economists closely watch the pace of U.S. port system expansions, they also look at the question of reliability on the West Coast in terms of congestion and labor disputes. Shippers and economists have seen erosion in the West Coast trade since the ten day shutdown of twenty nine ports in two thousand two and several work slowdowns in recent years. The economy has seen a slower pace of trade growth since the recession of two thousand eight with a flattening of China’s trade growth. In twenty ten the West Coast claimed fifty seven percent of total U.S. container volume. In twenty fifteen it claimed fifty two percent, down five percent over five years. Since the Panama’s expansion first began market studies have shown the possibility of added traffic for the natural gas trade loading out of the Gulf of Mexico and shipping to Asian ports. With low natural gas prices, the U.S. is now a price competitor as a large exporter. We know that the Panama Canal will have an impact on world shipping, but it remains to be seen as to how much.

Fred Nelson for Community Comment