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## Container terminal trends

# Reshuffling the deck

In anticipation of the far-reaching effects of the expansion of the Panama Canal, port authorities all over the Americas are reassessing their business strategies. In his forecast on global container terminal trends industry analyst Daniel Schäfer highlights some aspects, and ultimately casts doubt on the viability, of the transshipment hub concept in the Caribbean.

Since the 2008 financial crisis, global growth in container throughput has been unsteady and, apart from 2010, relatively weak. Improvements have been very modest, especially over the past two years, coming to 3–4%, in almost all of the world's regions (see figure 1 on page 29).

Current projections indicate future average annual growth rates of 6%, and some regions may significantly exceed that. In North America, Mexico will lead the way. Quite apart from those considerations, it should be exciting to watch other developments in this region too.

First, consumer demand in the USA can be expected to recover. The International Monetary Fund (IMF) predicts a 30% rise in both imports and exports in the USA between 2014 and 2019 (IMF World Economic Outlook, April 2014).

This would represent a substantial improvement versus the previous six-year

period (2008–2013: imports up by 4% and exports by 22%), and would also revive box traffic, which has stagnated since 2007. Consequently, a rise in US container traffic (excluding Puerto Rico) from 43 million teu in 2013 to 56 million teu in 2020 appears to be a realistic prospect.

### Construction boom in Central America

It is also worth taking a look at the shifts in flows of trade and changes in the port landscape that will result from the expansion of the Panama Canal. When the project is complete, the waterway will be able to handle 13,000 teu containerships, as opposed to the current limit of 5,000 teu.

The Panama Canal Authority states that this will double the annual capacity for the shipment of goods from approximately 330 to 650 million t. Recently, container traffic on the canal has amounted

to slightly less than 9 million teu per year, representing 36–37% of total tonnage but serving as the main revenue generator, at 51–52% of overall income.

### Construction boom

The Panama Canal plays an important role, particularly for trade between the USA's eastern seaboard and Asia (China, Japan and South Korea, amongst other countries), and accounts for a 35–40% share of annual traffic on that shipping route. The expansion of the canal has unleashed a construction boom, especially in Central America.

In some countries, the aggregate capacity of all new box-handling facilities now on the drawing board would far exceed total turnover in 2013 (see figure 2 on page 29).

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Due to the Panama Canal's capacity crunch and size restrictions, the ports on the US west coast have been the chief beneficiaries of the shift in global economic activity towards Asia and the surge in trade relations with China and South Korea. Because most goods from Asia arriving in the USA are unloaded at west coast ports, with a portion of the cargo then transported eastward by rail or road, a transport chain has gradually taken shape that may never have arisen without the Panama Canal bottleneck.

In 2013, the USA's west coast ports moved a total of approximately 22 million teu. It is estimated that about half of that cargo is transported onward to east coast destinations by road or rail. This has resulted in an imbalance in current container throughput at eastern seaboard ports, which punch well below their weight in terms of the demographic and economic status of the coastal region and its hinterland.

### Rethinking transshipment

The first ports to benefit from the expansion of the Panama Canal will be those centres closest to the Pacific and Atlantic locks. The container terminals in Balboa and Colón plan to add capacity for an additional throughput of 9.3 million teu per year by 2020, with facilities for 2.7 million teu per year already under construction.

Several US ports on the eastern seaboard and the Gulf of Mexico, including Miami FL, Hampton Roads VA, Savannah GA and New York, are currently also undertaking massive expansion projects. With the opening of the broader Panama Canal, a key factor for whether such investments pay off, will be the creation of facilities to permit the rapid unloading of the new, larger containerships, above all by deepening channels and berths to as much as 50 ft (15.2 m) and investing in gantry cranes and better transport links to the hinterland.

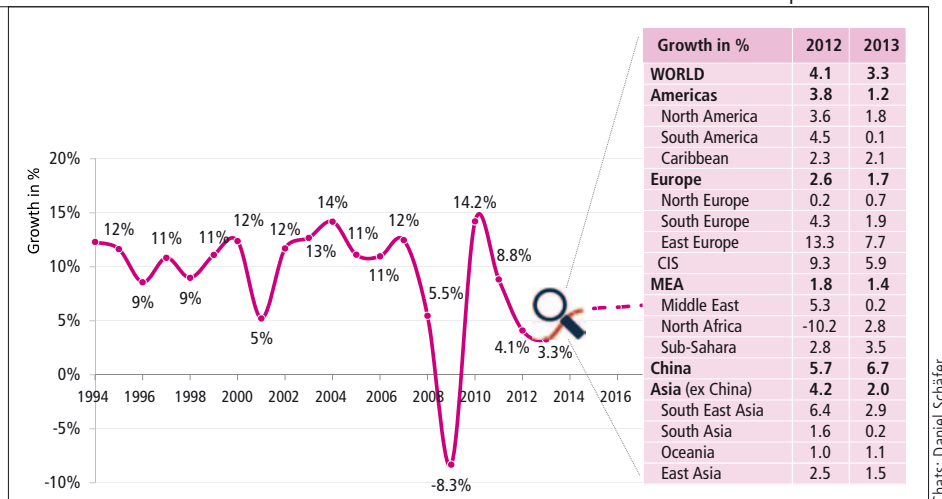


Chart 1: The development of global container throughput (teu in %).

In the medium term, developments point towards a shift in container handling, namely from the west to the east coast. The speed of the transition will depend to some extent on pricing decisions taken by the major market players.

### Concepts questioned

The trend also calls into question the concept of the Caribbean transshipment hubs, which ultimately serve the US east coast. The sluggish market performance in the USA has also affected throughput in Freeport (Bahamas), Kingston (Jamaica), Caucedo (Dominican Republic) and San

Juan (Puerto Rico), which grew by 1% per year between 2006 and 2013.

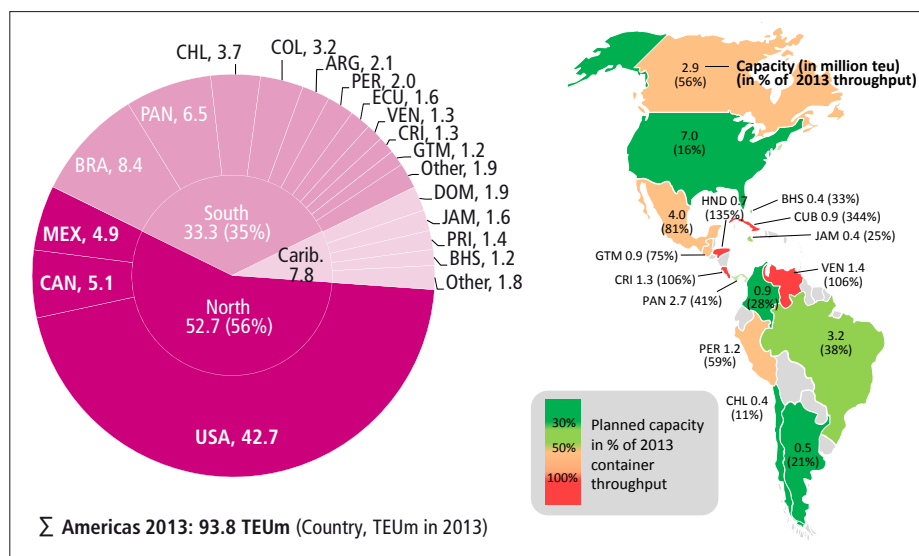
Moreover, every port expansion project on the US east coast adds yet another alternative to this concept. And why should one or even several US east coast ports not assume the role of a transshipment hub?

Daniel Schäfer

### Container Terminal Foresight 2020

The author is a market analyst and recently published a study on trends in global container traffic.

For more information see [www.ctf2020.info](http://www.ctf2020.info).



Charts 2 and 3: Throughput volumes in the Americas; planned capacity increases between 2014 and 2016 (on the basis of published projects).



FMC 1037 NF – IATA NO. 01-1-5000/0014

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