

# **Testimony before the U.S. Senate Committee on Commerce, Science, and Transportation**

Wednesday, April 10, 2013  
Room 253, Russell Senate Office Building  
Full Committee Hearing  
Regarding

## **“Expanding the Panama Canal: What Does it Mean for American Freight and Infrastructure?”**

Testimony provided by:

**Mr. John Vickerman**  
**President**  
**Vickerman & Associates**

Good afternoon Chairman Rockefeller, Ranking Member Thune and distinguished members of the U.S. Senate Committee on Commerce, Science, and Transportation.

Thank you for inviting me to testify this afternoon. My name is John Vickerman and I am the Founding Principal and President of Vickerman & Associates. I am a licensed professional civil engineer and registered architect in 21 US States and I specialize in the port and intermodal industry. 67 of the 90 North American deep-water general cargo ports have benefited from our strategic port planning.

### **The Current Panama Canal Expansion Program Plus Potential New Added Value Components:**

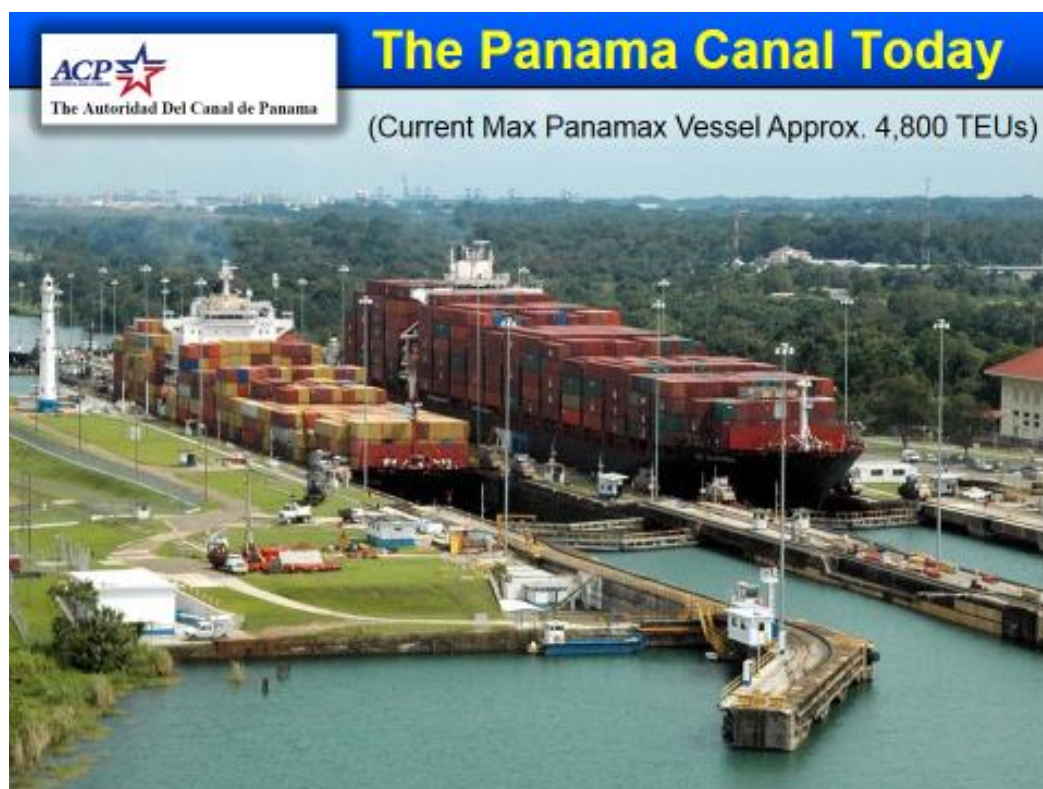
The expansion of the Panama Canal, is scheduled to be operational in 2015, and will more than double that waterway’s capacity by allowing dramatically larger ships to pass through its canal system.

Less understood and appreciated, the current Canal expansion program may also foster expansion related to marine transshipment

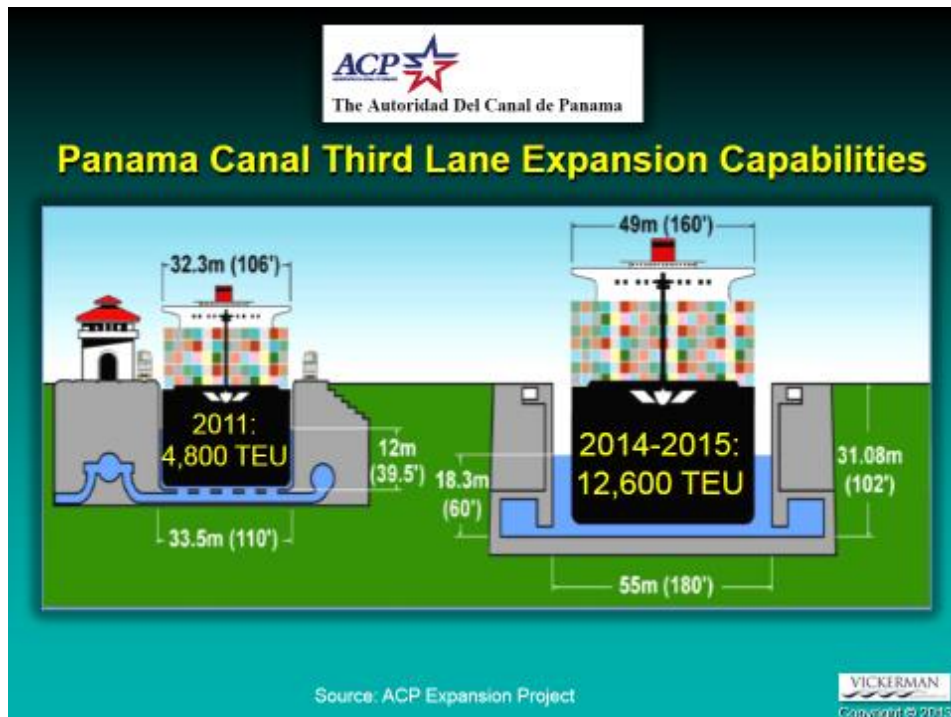
cargo logistics and the feeder vessels that serve those transshipment markets.

In short, Panama is taking steps to go beyond the mere canal expansion program already underway and add new logistics value by preparing Panama to become the Transshipment Logistics Center for Latin America, akin to Singapore in the Far East.

Between 1970 and 2009, the number of vessels going through the Panama Canal leveled off but the size of the vessels continued to get larger and larger. Today's Panama Canal container vessel capacity is depicted in the slide.



The Canal expansion program for container vessels is illustrated below permitting a 12,600 TEU vessel transit:



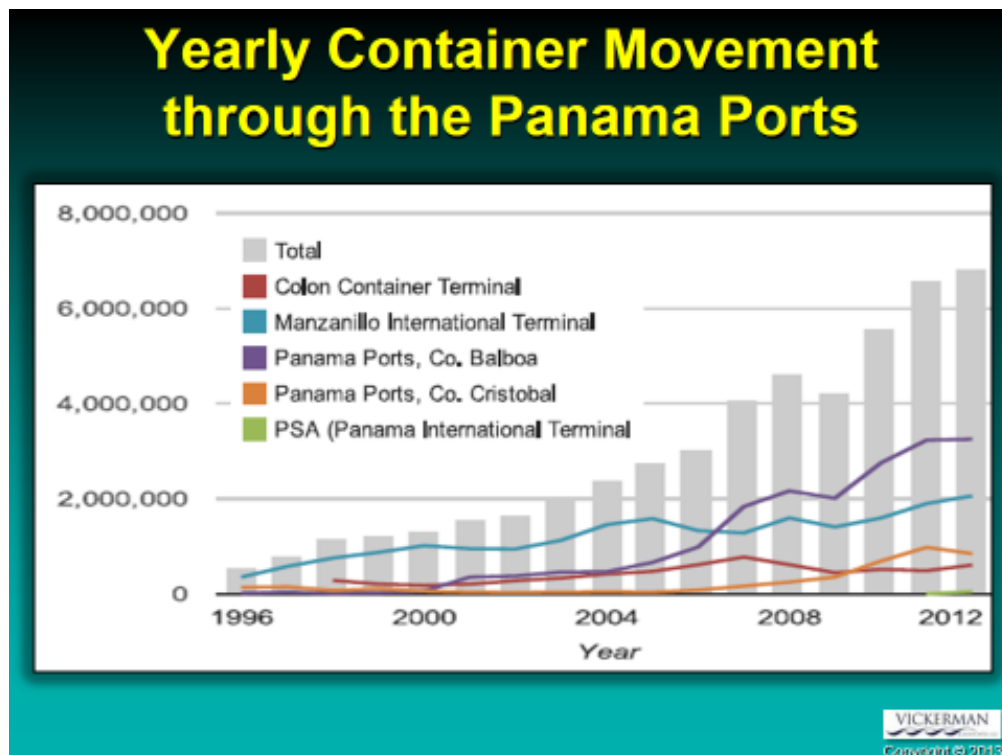
Additionally, a larger share of other vessel types will be able to transit the Canal fully loaded as illustrated on the slide:



The Panama Canal Authority is currently evaluating several strategic projects that would add logistics value to the current canal expansion program by investing in:

- **Significant Port Expansion particularly on the Pacific Entrance to the Canal.** The proposed Corozal Port Terminal Complex with potentially five new high capacity port container berths coupled with the container expansion program already underway by the Panama PSA Terminal on the western side of the canal's Pacific entrance could nearly double the current port capacity in Panama.

The graphic slide depicts the rapid historic expansion of the Panamanian Ports from less than 300,000 TEUs in 1996 to a record 6.8 million TEUs by the end of 2012. The currently envisioned port expansion program described could nearly double this throughput capacity to more than 12 million TEUs







- The Panama Canal Expansion plus the added value projects currently being considered could move today's Caribbean Transshipment Center Point from the middle of the Caribbean to Panama and may change US Gulf Coast and US Southeast port logistics.

### **The Path Forward for the US:**

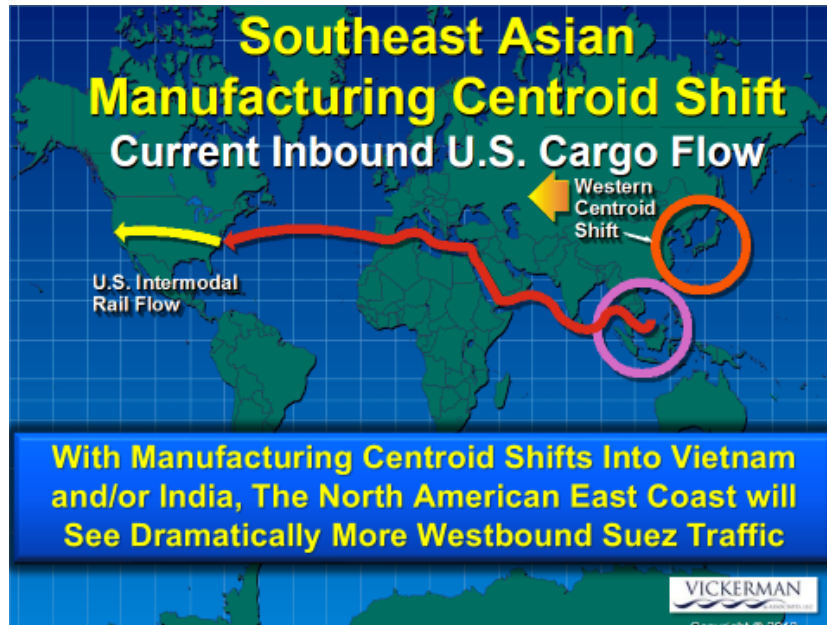
Given the above Panamanian expansion potential, how should the US logically respond to the Panama Canal Expansion Program? The answer must consider and evaluate the Panama Canal's expansion in the context of competitive global trade logistics. The perspective cannot be focused only in the Western Hemisphere and North America.

Even with the Canal expansion program complete, the amount of container shipments going through the Panama Canal may not increase significantly unless the Canal toll rates are set to be competitive with the Suez Canal.

On the other hand, if the Panama Canal tolls are competitively set considering global competition we could see significant increases in freight flows and changes in vessel types and their routings particularly to US Ports.

## The Suez Canal Competitive Dynamic:

The Suez Canal seaway is Europe's jugular marine connection to Asia. This route using "sprint services" could deliver cargo to New York a day faster than transiting the Pacific.



Consider the new Maersk Triple-E vessels, which have a container capacity of 18,000 TEUs, and can fit through the Suez Canal but will be too large for the Panama Canal even after it is expanded in 2015.



## **The Suez Canal Alternative for Larger Vessels:**

Three days ago, Maersk Lines, the largest ocean container carrier in the world, announced it had stopped using the Panama Canal to transport goods from Asia to the US East Coast. As reported by their President "*Larger container ships will help the company to generate greater profits by using the Suez Canal*".

Not all US Ports will see larger vessels because of the Panama Canal Expansion. Many will experience smaller feeder vessel logistics due to the competitive dynamics in the Caribbean Transshipment Zone.