



THOUGHTS ON THE PANAMA CANAL EXPANSION

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WHAT IS ITTS?

- Evolved from LATTS Studies
- 12 State Departments of Transportation
 - Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, West Virginia, Virginia
- “Forward Thinking” on freight planning and policy needs



PANAMA CANAL EXPANSION

- Is it needed?
- Does it fundamentally change North American flows?
- Will external events strengthen or dampen its influence in world shipping?

WHAT ARE THE VIEWS OF THE PANAMA CANAL EXPANSION IN NORTH AMERICA?

“Eastern”

- West Coast is “dead”
- Asia Trade is Critical
- See land and lower capacity costs as plus
- Geography favors us

“Western”

- Yet another gateway competitor
- Asia is our “market”
- Still important despite local pressures
- Geography favors us

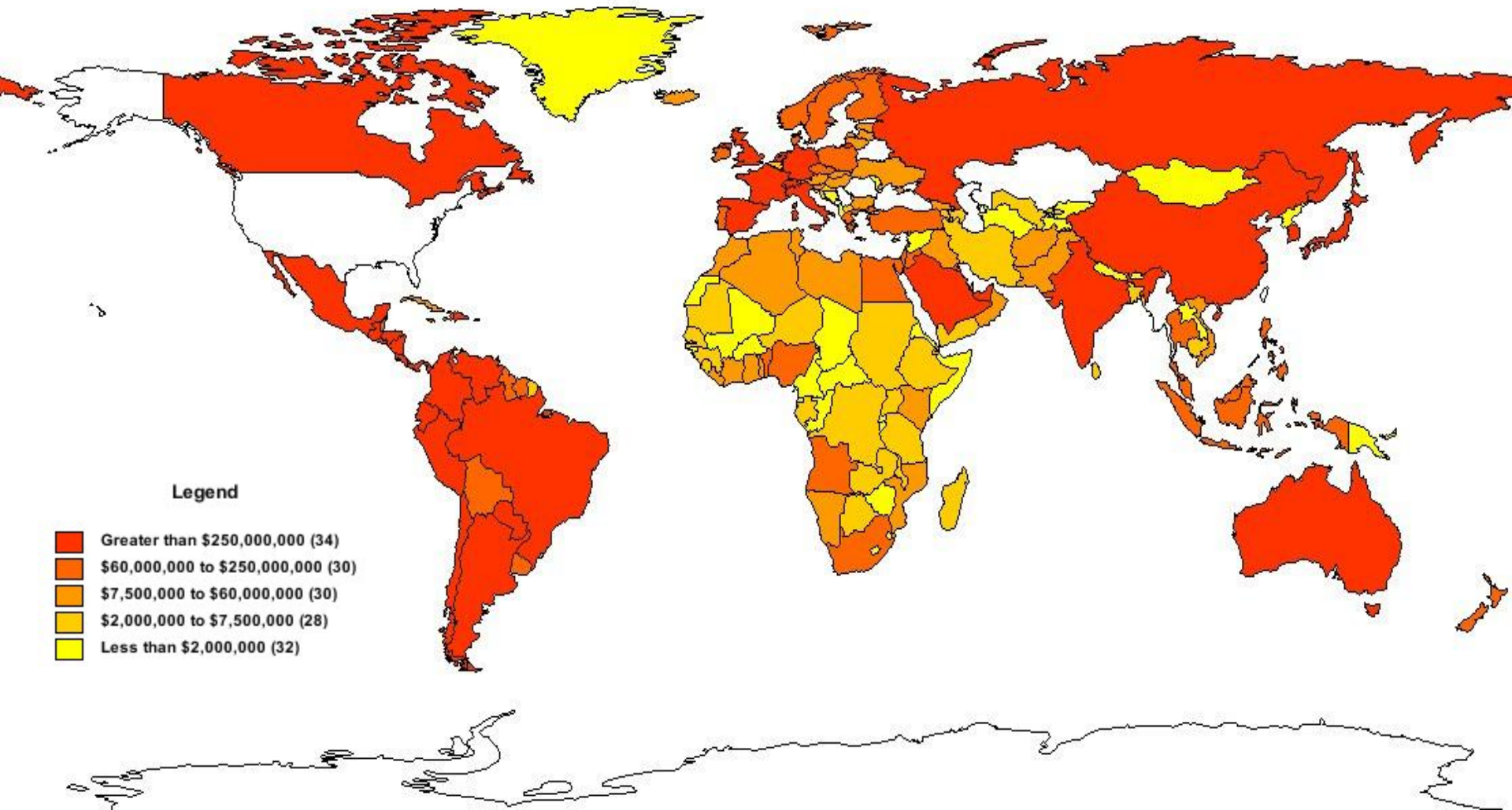
SPRING DRAGON
MONROVIA

WHAT ARE WE CONNECTING?

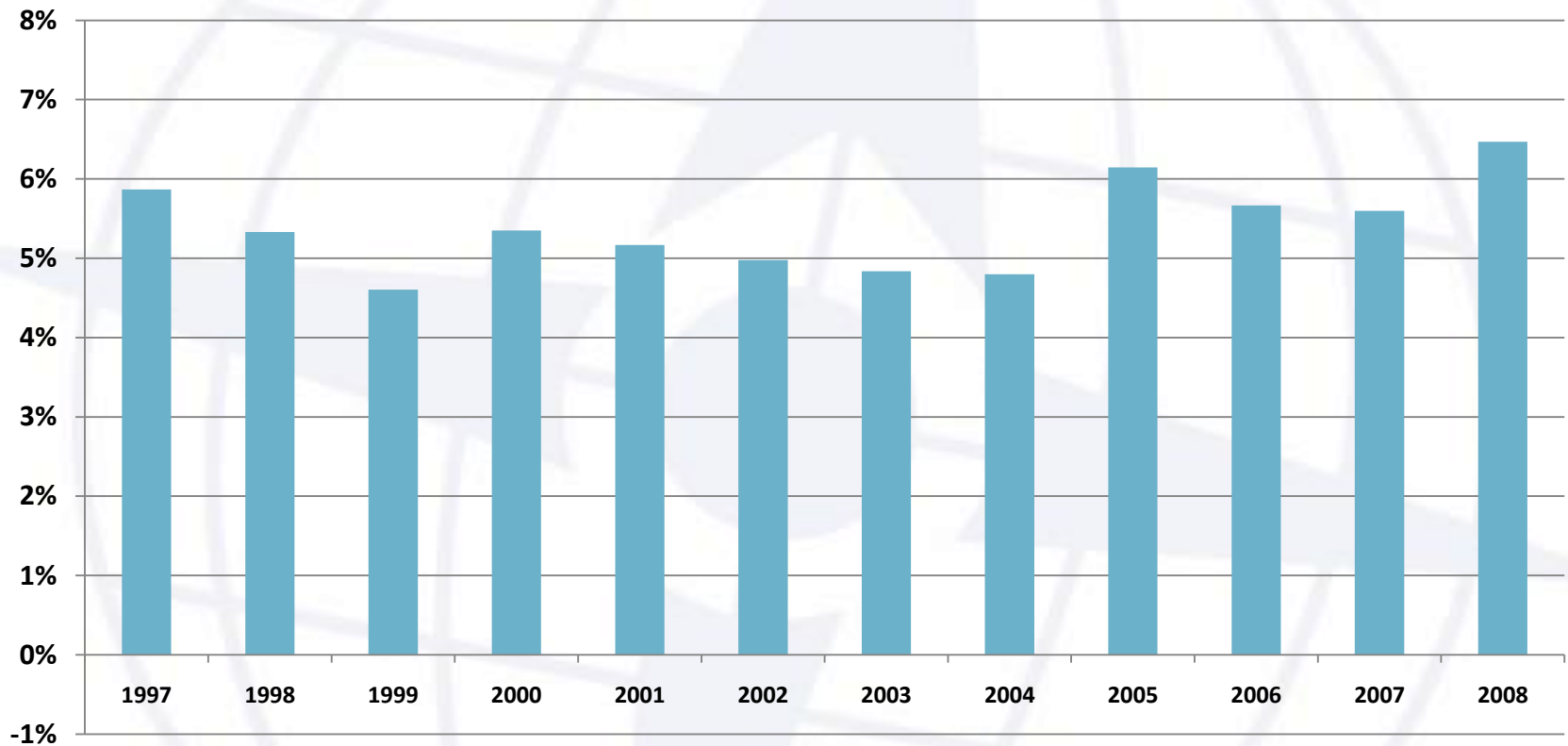
- Port exist to provide services
- Transfer and intermediary services
- No better than their inland or waterside infrastructure
- What is a hinterland?



FLORIDA STATE EXPORTER DESTINATIONS, 2008 (VALUE) (SOURCE: WISERTRADE)

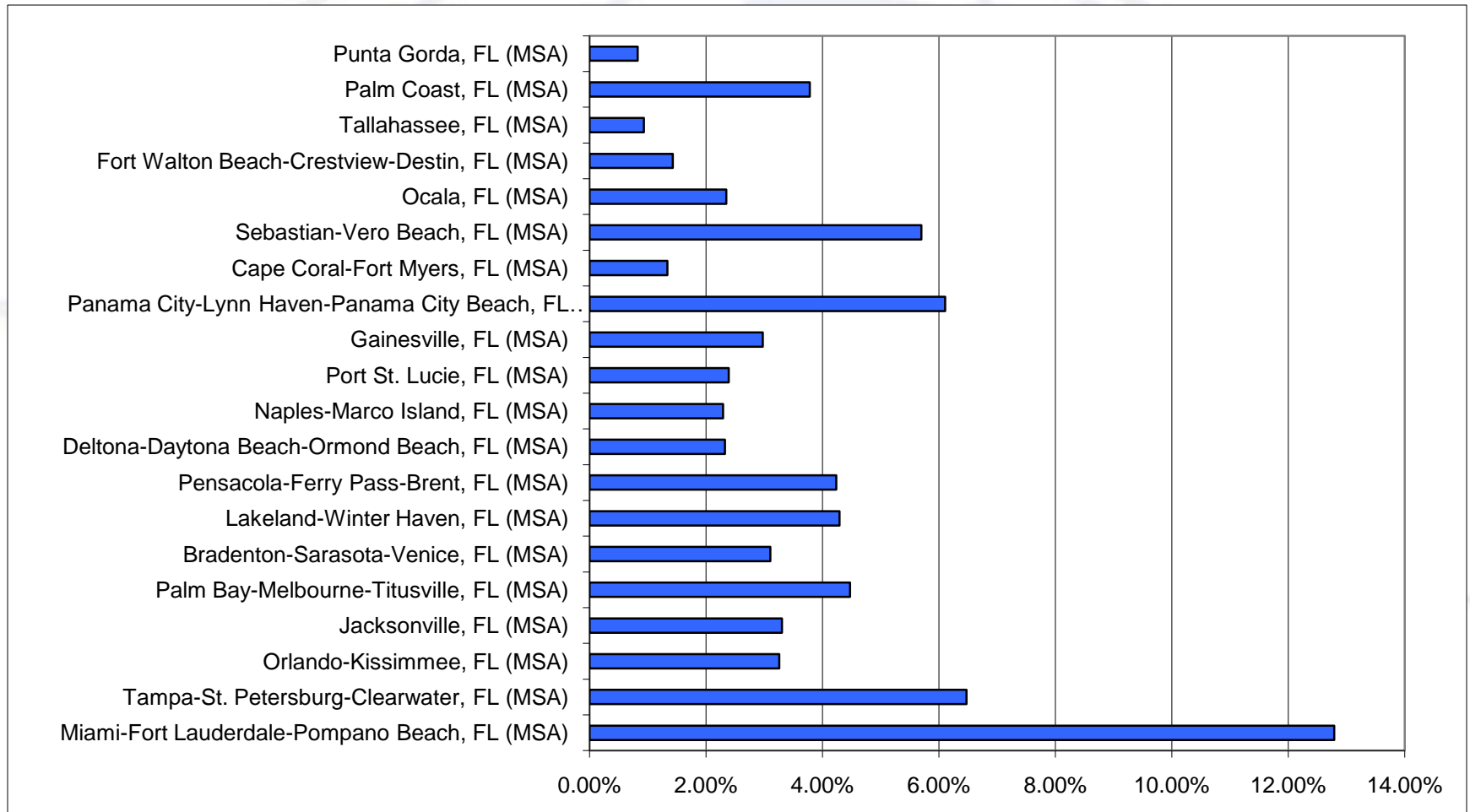


FLORIDA EXPORTS AS SHARE OF TOTAL STATE GDP 1997 -2008



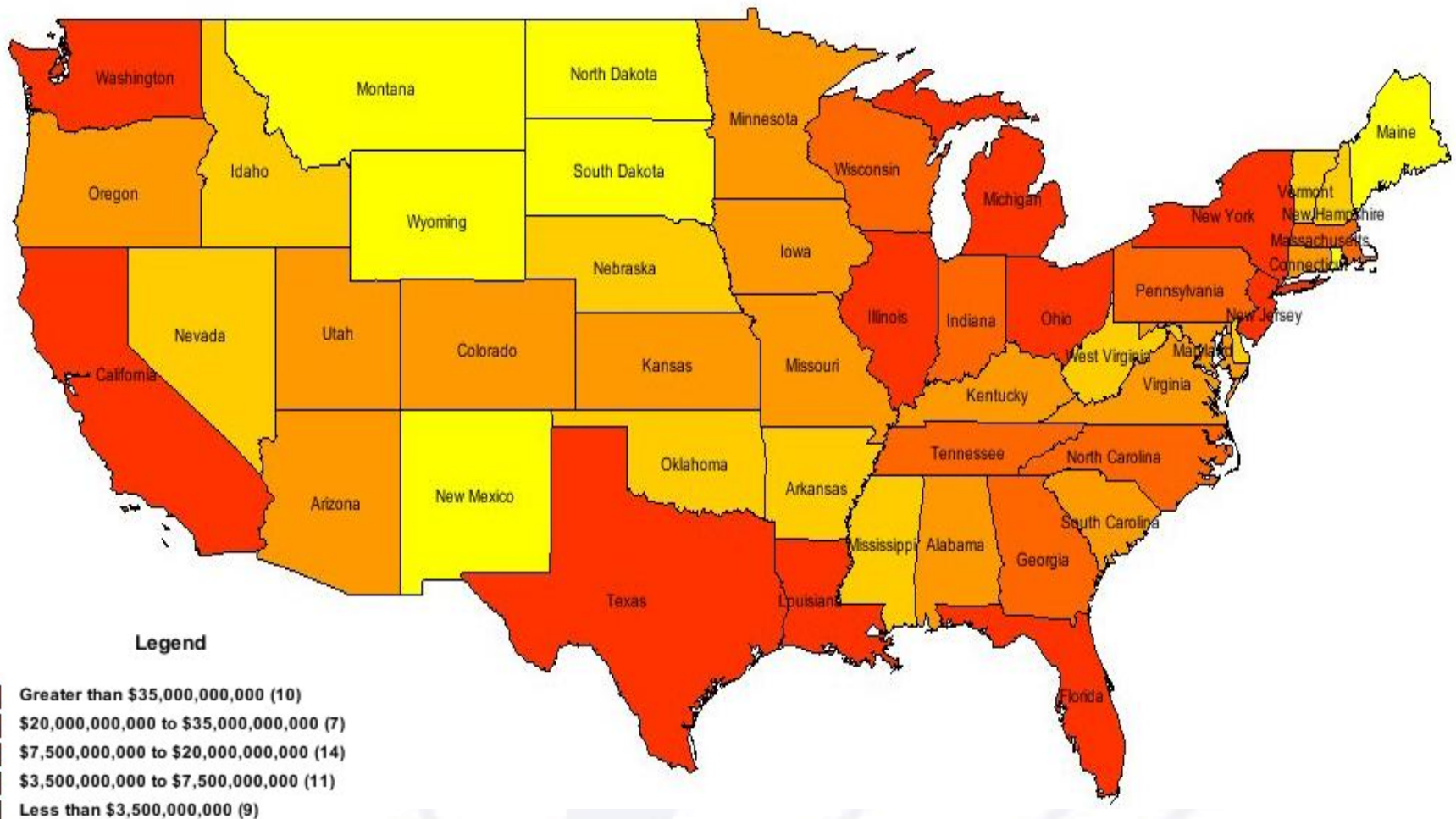
Source: Bureau of Economic Analysis, U.S. Dept. of Commerce & WISERTrade State Exports

EXPORTS AS SHARE OF FLORIDA METROPOLITAN STATISTICAL AREAS GDP, 2008



Source: International Trade Administration, U.S. Department of Commerce

U.S. EXPORTERS BY STATE, 2008 (WISERTRADE)



FIRMS SEE TRANSPORTATION AS CRITICAL

Site Selection Magazine

KPMG

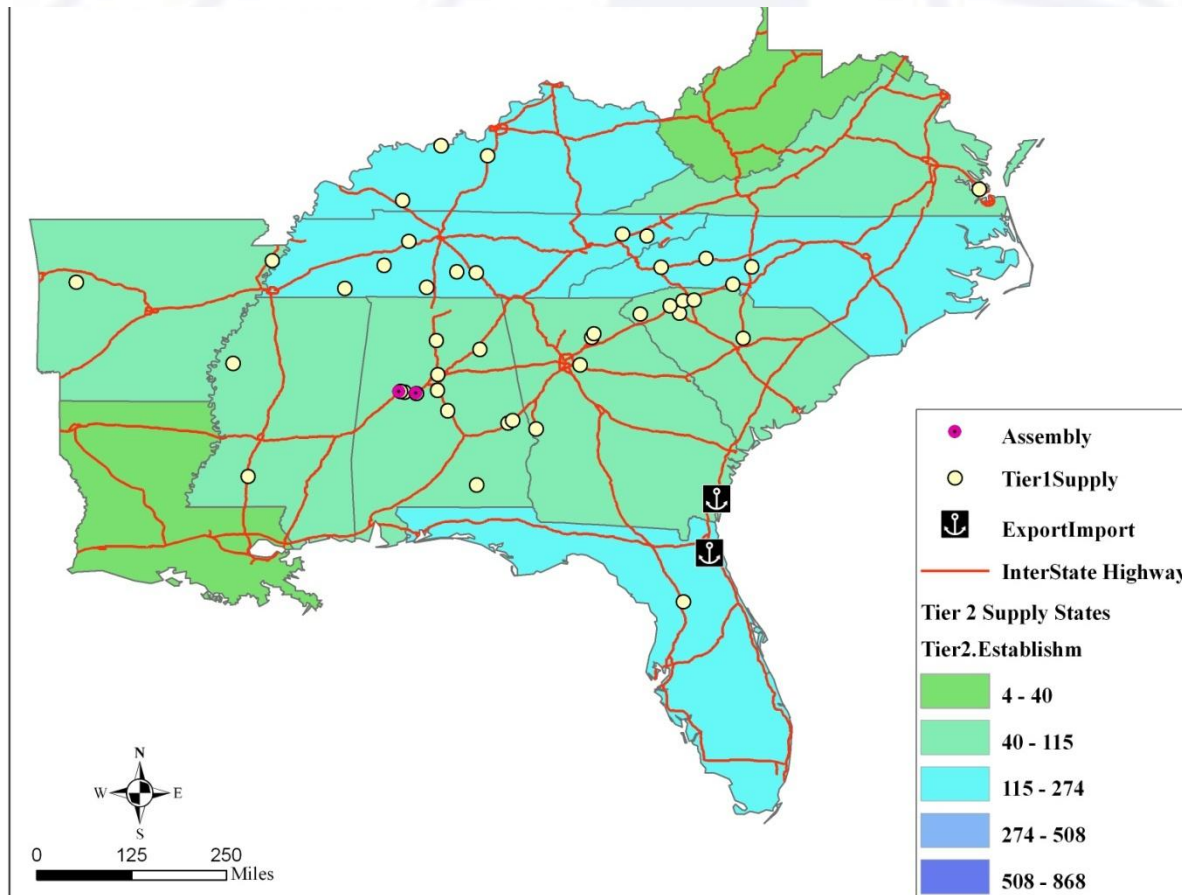
Transport, Talent and Taxation Top Factor List

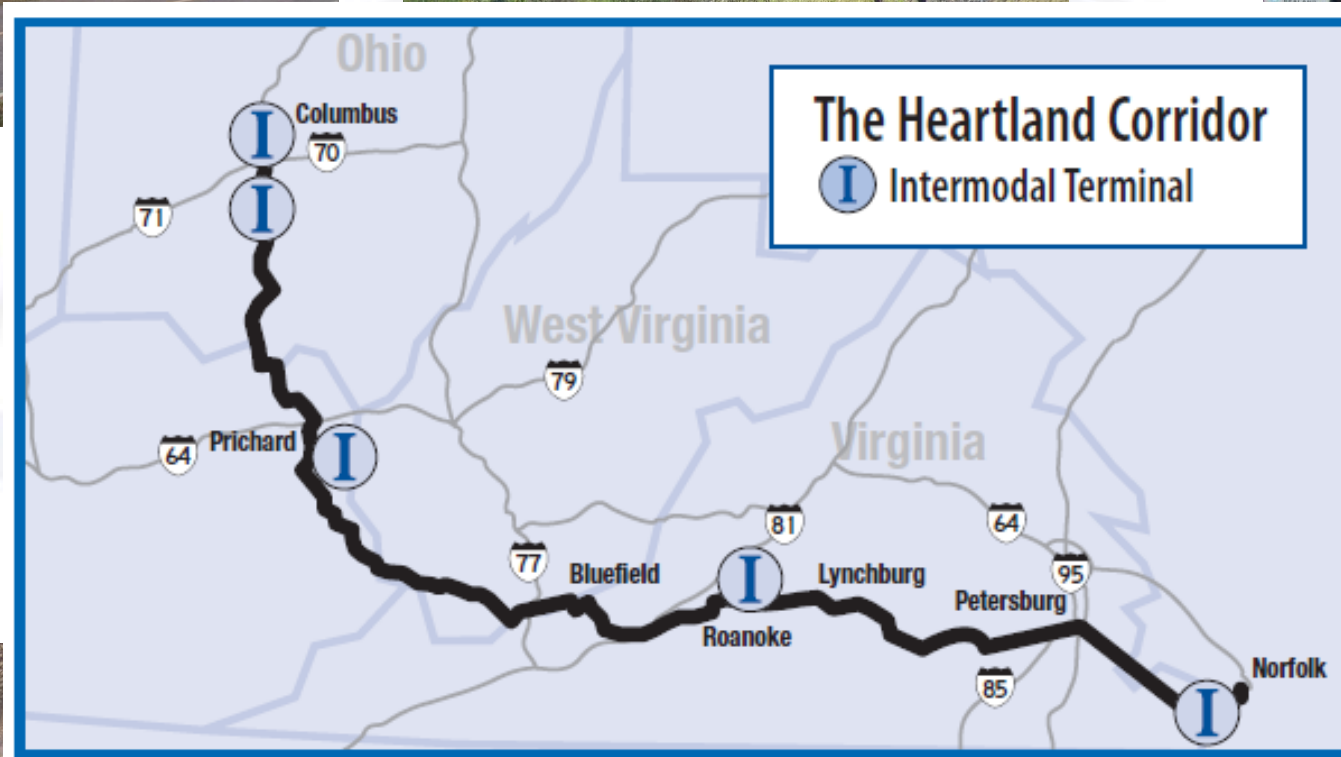
Site Selection's October survey of corporate real estate executives reveals which factors on average are most important to them when they are involved in location decision making.

1. **Transportation infrastructure**
2. **Existing work force skills**
3. **State and local tax scheme**
4. **Utility infrastructure**
5. **Land/building prices and supply**
6. **Ease of permitting and regulatory procedures**
7. **Flexibility of incentives programs**
8. **Access to higher education resources**
9. **Availability of incentives**
10. **State economic development strategy**

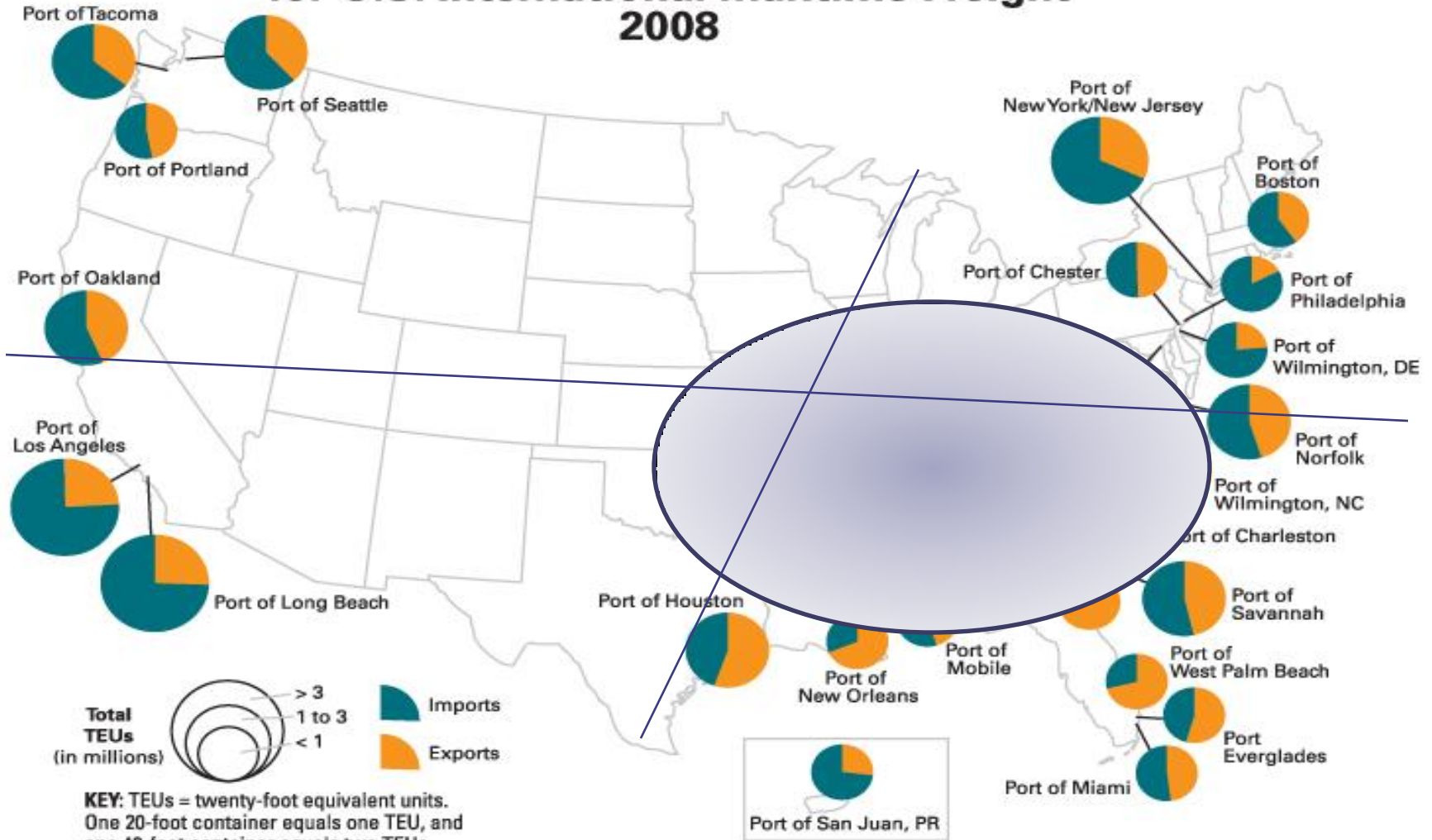
- 90% stated - transportation directly influences their business.
- 77% stated - infrastructure:
 - Becomes more important over the next five years
 - System will remain inadequate without new investment

MERCEDES BENZ SUPPLY CHAINS FOR ALABAMA





Top 25 Container Ports for U.S. International Maritime Freight 2008



NOTE: The data in this figure include only loaded containers in U.S. international maritime activity and cover U.S. imports, exports, and transshipments. Therefore, the trade levels will be greater than those reported from U.S. international trade statistics, which exclude transshipments. The data also exclude military shipments.

SOURCE: U.S. Department of Transportation, Research and Innovative Technology Administration, Bureau of Transportation Statistics, based on data from U.S. Department of Transportation, Maritime Administration, which are drawn from The Journal of Commerce, Port Import Export Reporting Service (PIERS), available at www.marad.dot.gov, as of March 30, 2009.

DREWRY – TRANSPACIFIC INTERMODAL WHITE PAPER

Imports

West Coast 8000 TEU Ship vs

Destination	East & Gulf 6400 TEU Ship		East & Gulf 8000 TEU Ship	
	20'	40'	20'	40'
Atlanta	\$595	\$580	\$665	\$720
Chicago	\$185	\$270	\$255	\$410
Cincinnati	\$185	\$120	\$255	\$260
Cleveland	\$85	\$70	\$155	\$210
Columbus	\$460	\$370	\$530	\$510
Dallas	-\$65	-\$255	\$1	-\$115
Detroit	\$85	\$220	\$155	\$360
Indianapolis	\$630	\$670	\$955	\$810
Kansas City	\$335	\$70	\$405	\$210
Louisville	\$885	\$670	\$955	\$810
Minneapolis	-\$15	-\$55	\$55	\$85
Memphis	\$260	\$70	\$330	\$210
Saint Louis	\$1,070	\$875	\$1,140	\$995

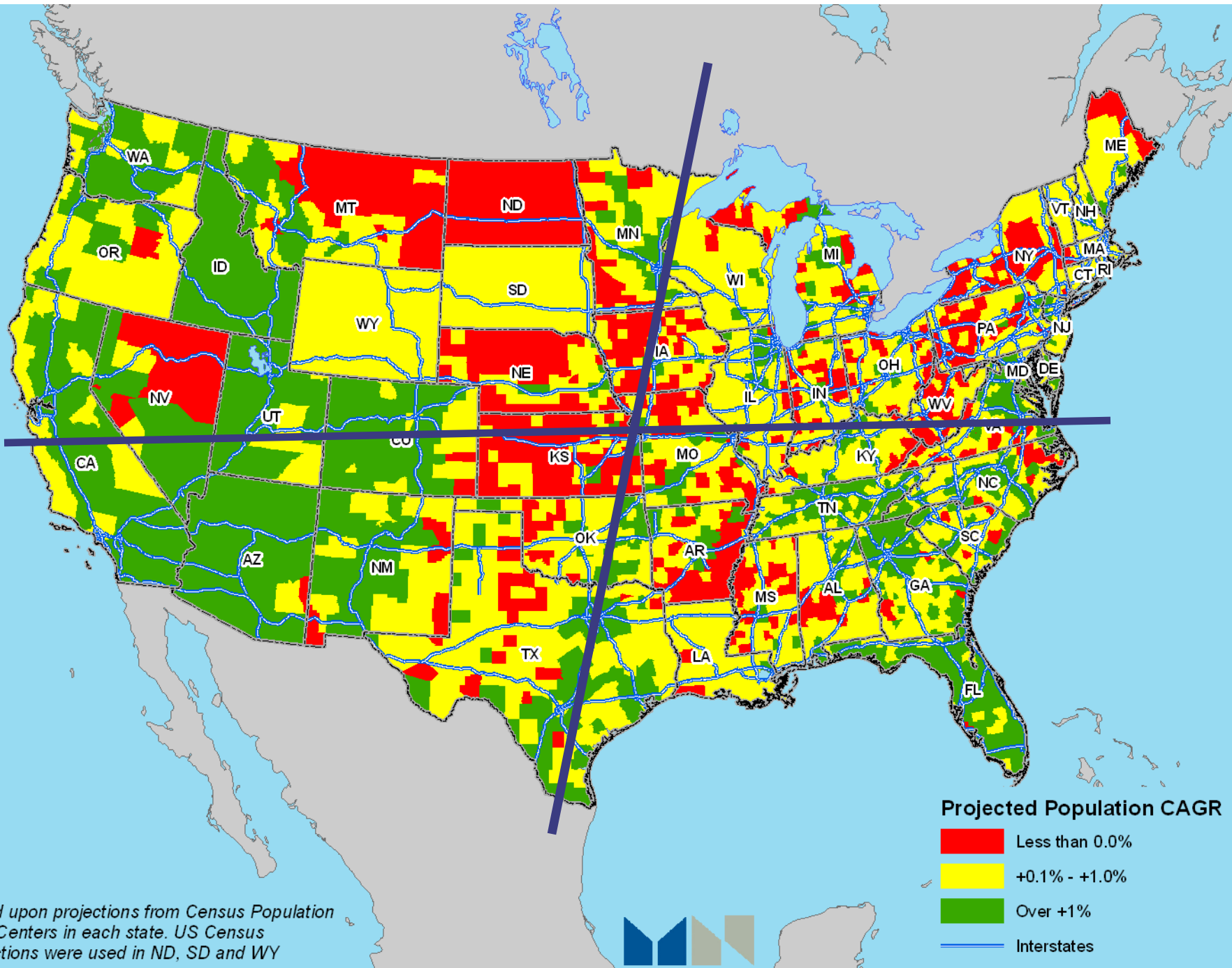
Note: Positive numbers favour East Coast and Gulf routing
Source: Drewry Supply Chain Advisors

Exports

West Coast 8000 TEU Ship vs

Destination	East & Gulf 6400 TEU Ship		East & Gulf 8000 TEU Ship	
	20'	40'	20'	40'
Atlanta	\$410	\$320	\$415	\$460
Chicago	-\$40	-\$230	\$30	-\$90
Cincinnati	\$410	\$220	\$480	\$360
Cleveland	\$385	\$195	\$455	\$335
Columbus	\$285	\$195	\$355	\$225
Dallas	-\$115	-\$205	\$45	-\$65
Detroit	\$260	\$95	\$330	\$235
Indianapolis	\$585	\$470	\$655	\$610
Kansas City	-\$140	-\$330	-\$70	-\$190
Louisville	N/A	N/A	N/A	N/A
Minneapolis	-\$15	-\$180	\$55	-\$140
Memphis	\$335	-\$55	\$405	\$85
Saint Louis	-\$15	-\$230	\$55	-\$90

Note: Positive numbers favour East Coast and Gulf routing
Source: Drewry Supply Chain Advisors



Based upon projections from Census Population Data Centers in each state. US Census projections were used in ND, SD and WY

WHAT LIES AHEAD?



A MUDDLED FUTURE

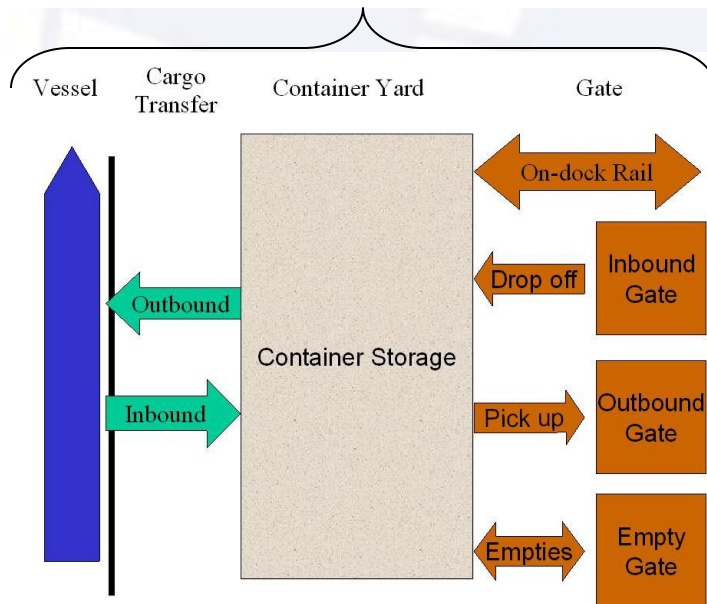
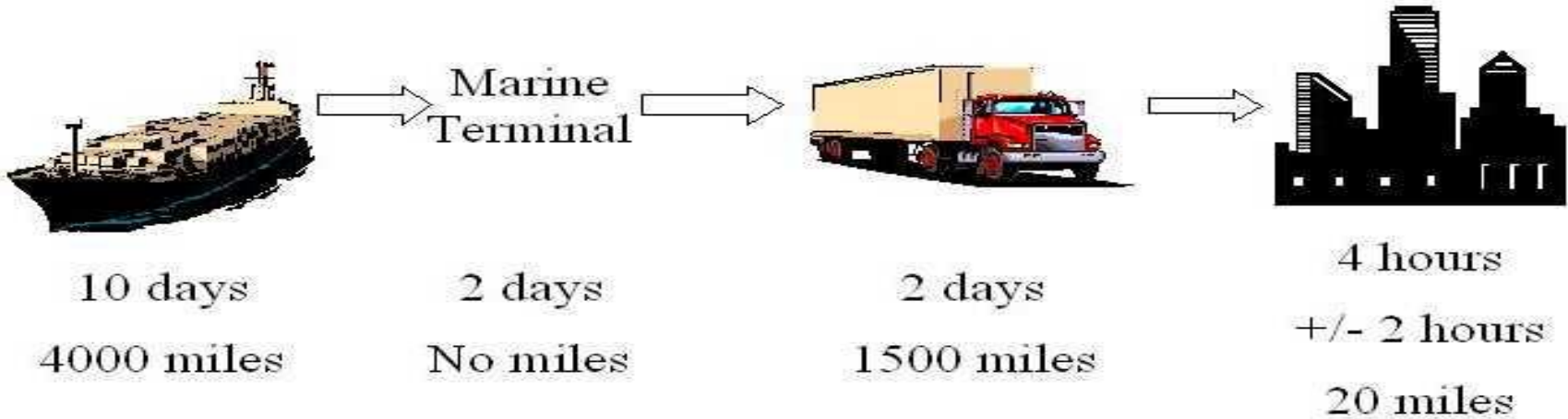
Internal

- Changing US energy policy
- “Greening” Supply Chains
- Security
- Funding
- Labor
- Rail policy
- National Freight planning

External

- Global competition
- Near Sourcing
- Expansion of Transshipment hubs in region
- Free Trade negotiations
- Price of fuel
- Ship rotations

WHERE IS THE NATIONAL PRIORITY?



STRATEGIES RECOMMENDED BY LATTTS

- Utilization of Existing Infrastructure
- Add Physical Infrastructure
- Increase Operating Throughput
- Corridor Approach for Investing
- Develop Agile Freight Operations
- Improve Clearance at Gateways
- Attention to Connectors
- Encourage Technology
- Integration of Information
- ITS Applications
- Increase Public Awareness
- Improve Institutional Relationships
- Improve Freight Profile
- Partnerships

EXPORT PROMOTION – MISMATCH WITH TRANSPORTATION

- Call to double exports
- No transportation in executive order
- No ports in President's recent infrastructure plan
- No new free trade agreements

PORTS IN THE EAST MUST BE READY TO RECEIVE THESE CARGOS FOR CANAL TO REACH POTENTIAL

- Dredging
- Understand relationship of ports within coastal regions (parochial fighting does nothing...)
- Railroad connections
- Understand these are strategic investments, not isolated “pork projects”
- Federal Policy conflicts
- WRDA?

- Competition from other overland corridors

THE SUM OF KNOWLEDGE

The Known

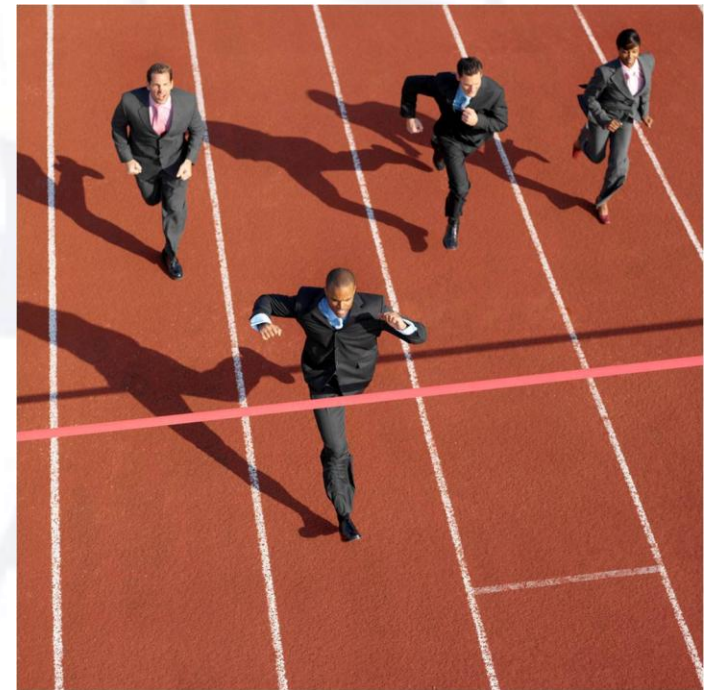
- The Canal is expanding
- Trade has shifted from West Coast
- Total Trade will recover in the next few years
- Globalization continues at a slower pace

The Unknown

- Will S. Cal ports push trade away?
- Will Eastern U.S. ports receive dredging?
- How much more cargo is divertible? (Drewery's 25%?)
- How (when) will vessels be deployed?
- Who wins in battle between tolls and railroad costs?
- External Shocks?

BENEFITS OF DEBATE

- Connecting ports and hinterlands
- Connecting exports to trade markets
- Discussion of regional transportation needs
- Finding partners
 - Railroads, public, private sector
- But who is listening?
 - Shippers
 - Public
 - Decision Makers



PANAMA CANAL EXPANSION –ANSWERED?

- Is it needed? YES
- Does it fundamentally change North American flows?
 - Bulks – Yes - more volume
 - Containers – Yes, Some growth
 - Ports – Opportunities for Ports
 - Transshipment Opportunities –Yes and No
- The real question is when will this occur

Freight In the Southeast Conference, February 9-11, 2011



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