A rush of neo-panamax ships serving US East Coast – maybe not so fast

US East Coast ports have been investing heavily to serve containerships of up to 14,000 teu with the expansion of the Panama Canal that opened in late June last year – but have larger vessels come as had been hoped?

Planning for Shifting Trade has been a theme of an annual American Association of Port Authorities (AAPA) event, hosted in conjunction with Port Tampa Bay, each year since 2007 when planning for the widened Panama Canal began.

As ports in the US Gulf and the US East Coast spend billions of dollars deepening channels and raising bridges to prepare for bigger and bigger vessels, what would happen if the trade flows don’t transition as the experts have predicted?

Robert W. West, chief senior consultant for Duaga, the trade consultancy and provider of data on liner trades, offered his thoughts on “Forecasting in an age of uncertainty”. Uncertainties clearly abound—though economic growth prospects for 2017 seem to be brightening after a dismal year for many shipping segments.
But what if trade dynamics moved towards hubs and spokes along the East Coast of the U.S. and Canada? Efforts to create trans-shipment hubs at Panama and in Cuba - including an effort at Mariel in conjunction with PSA - already in the works, received attention at the AAPA event, but West’s comments drew attention to possible hubs in eastern Canada that could handle cargo inbound from Asia through the Suez Canal which competes with Panama.

Three projects that could bring cargo to the East Coast of the US were mentioned- a Macquarie-backed terminal in Halifax, NS, NovaPorte (a facility planned for Sydney, NS which recently garnered support from Ports America) and a DP World project in Saint John, New Brunswick. All three could all benefit from cheap line-haul capacity transferring cargo into 4,000 – 6,000 teu vessels, with the lucky vessels no longer victims of the “cascade” but rather benefiting from the demand for feeder ships.

Amidst discussions of the economics of low costs per slot, West emphasized the advantages to carriers of using transhipment hubs, saying “You are not just loading cargo, in Shanghai, going to one destination- you are loading cargo going to many places. So you have a bigger opportunity to have higher utilization on the ship….so there a lot of markets that can be served,” adding that “Transhipment can also work for the mother ship going outbound…cargo can be gathered from many origins.”

Keynote speaker Clarence Gooden, the president at CSX, one of a handful of Class 1 railroads in North America, provided an endorsement of transhipping generally, talking about the successes of transhipment facilities- bringing service to lower density markets “where there was not enough freight to serve”, in the rail mode.

Another aspect of the shifting trades (or not) was revealed in the Q&A following a speech by real estate/ logistics consultant Joe Dunlap, from CBRE. This speaker, who advises clients on the locations of distribution hubs, cited examples of shippers importing into the US from Asia not shifting their cargo to East Coast ports - and building distribution centers - due to a commercial situation. He explained that “Beneficial cargo owners” (BCOs), who import cargo for their “Big Box” customers, may not want to transfer the cost savings onward to their customers, in situations that he’s worked with. But he acknowledged that “much more cargo could be moving through Panama.”

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