

## Summary: “Competitive Uncertainty and the Widening of the Panama Canal”

Michael Nacht, Professor of Public Policy at the University of California at Berkeley and former Assistant Secretary of Defense, and Larry Henry, Founder of ContainerTrac, Inc., conducted interviews with 15 shipping industry experts on the impact of the forthcoming expansion of the Panama Canal on global trade. Based on these interviews and a literature review, their [research](#) found:

- West Coast ports have benefitted enormously from the vast imports from East Asia, and especially China, to the United States in the past two decades. (p 2)
  - West Coast ports receive the majority of East Asian imports bound for the U.S. market. Many of these goods are then trans-shipped by rail to major population centers in the Midwest, Southeast and Northeast. (p 2)
  
- This reality will soon change, however, when a massive expansion of the Panama Canal completes as soon as December 2015. (p 2)
  - The two current Panama Canal locks are at or near capacity at almost all times with long waiting periods for ships to enter, costing shippers millions of dollars annually. (p 3)
  - This expansion will allow it to handle “Post-Panamax” container vessels that account for over 30% of the world’s containerized maritime shipments. (p 3)
  
- The widening of the Panama Canal is an important factor in U.S. port infrastructure investment to the tune of \$46 billion from 2012 to 2020, nearly \$30 billion of which will be at and for East and Gulf Coast Ports. (p 6)
  - Coupled with port infrastructure automation, these measures are expected to provide a \$50 per box cost competitive stevedoring advantage over West Coast ports to unload an individual container. (p 6)
  - These investments are likely to have a significant effect on global trading patterns, with many experts predicting a shift in trading volume from West Coast ports to Gulf and East Coast ports. (p 8)
  - For the first time since World War II, the East Coast has surpassed the West Coast in container traffic growth, showing a 5.5% increase in Q1 2012 over the same quarter in 2011 vs. 3% increase for West Coast ports. (p 17)
  
- While the trend toward direct shipment to East Coast Ports has developed over the last decade, port directors there believe there is more potential to shift cargo from the West Coast. Southeast Coast Ports forecast a doubling of market growth in 2016-2020 vs. 2011-2015. (p 14)
  
- The full effects of the Panama Canal opening may not be known for several years, but the key Midwestern battleground will be the place to watch for “winners” and “losers”. The West Coast must innovate to avoid losing significant market share. (pp 2/17)

For the full report, click [here](#).