

Coastal offices anticipating more container business with canal expansion

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Completion is still two years away, but the Panama Canal expansion has a wave of optimism building now in Livingston offices along the U.S. east and Gulf coasts.

"I think it's going to open up a lot of opportunity for the Gulf Coast and the eastern seaboard ports that we haven't had before," affirms **Shara Jones**, IFF export manager in Norfolk, Virginia.

"When we're looking to make an export booking, or import bookings are made for imports to the U.S from Asia, clients' choices are often limited to vessels that sail to and from the west coast. Now they'll have more choices, depending on the shipment's ultimate destination. I see it as a huge opportunity for growth."

The Norfolk team handles about 10,000 containers a year. Shara believes that number could double once the canal expansion is complete.

Getting ready for post-Panamax era

The Panama Canal is being expanded for the first time in 100 years. The project was started in 2007. The expansion includes:

- deepening and widening both the Atlantic and Pacific entrance channels
- new, wider locks for post-Panamax ships at both ends of the canal
- a post-Panamax approach channel for the new Pacific locks
- widening and deepening the Gatun Lake navigation channel and the Culebra Cut.



A container ship enters the Gatun locks in the Panama Canal. The canal expansion will see larger post-Panamax vessels traverse the canal. (Getty Images)

Post-Panamax is the term used to describe ships exceeding current size requirements set out by the Panama Canal Authority. Right now, Norfolk and Baltimore, Maryland, are the only east coast ports deep enough to handle post-Panamax ships. The ports of New York and Miami are being deepened and expanded. Dredging in Savannah, Georgia, hasn't started yet. Houston is a deep-water port, but two terminals still need to be deepened to 45 feet (14 meters).

"Post-Panamax ships will be able to sail to Gulf and east coast ports from Asia. That will lower the cost for shippers who right now have to send cargo on ships going to the west coast, and then have to have it sent overland by train or truck," says Shara.

Some cautious optimism

Mike Buckley, Atlanta account executive on the U.S. sales team, has many years of experience in all-ocean transport. He's cautiously optimistic. Mike says business growth for Livingston will depend to some extent on what ocean carriers do with their post-Panamax vessels when the Panama Canal expansion is completed in mid-2015.

"I'm looking at both sides. The canal expansion can mean growth. But our business growth opportunities may be at the mercy of the market. The steamship lines want and need to make money," he says. "In Los Angeles, they dredged the port, and the companies sent their larger ships to Europe, not the U.S. Just because the canal will be able to accommodate larger vessels with more cargo, doesn't mean they'll be coming through."

A lot will depend on pricing, consumer demand for goods and transit times, he says.

A deeper, wider Panama Canal will accommodate larger vessels. However, it doesn't mean ships will travel at faster speeds.

"I just quoted one prospect an 18-day transit time," explains Mike. "That includes the shipment coming into Los Angeles and then overland transport. With all-ocean from China, shipments can take 28 days, or sometimes 35 or 40. If there's a delay at the factory in China, that means transit times can be even longer."

Excitement in Houston

Down on the Texas Gulf Coast in Houston, **Clarence Bull**, IFF import director, is excited and optimistic. He does acknowledge that clients will have to weigh all-ocean transit times against the increased cargo capacity of larger post-Panamax vessels. However, Clarence, like Shara in Norfolk, believes clients will choose the all-ocean route.



"Clients will be looking for the all-water service. It cuts down on the extra handling of a container being moved by rail," he says.



He's very optimistic that carriers will send their post-Panamax ships through the expanded canal.

"Every indication is that, when the canal re-opens with the wider locks, the larger ships will be coming in. So some of the cargo that we may have seen in the past going to the west coast may now come direct to the Gulf and east coasts."

Shara Jones believes the number of container shipments being processed in Norfolk could double, when larger vessels start coming through to eastern seaboard ports.

His office may be one of the locations that really benefits from the Panama Canal expansion. Houston is the number-one U.S. port for imports and number two for exports. Annually, 200 million tons of cargo move through the port.

"I think we'll see more containerized cargo of general commodities that come through the Gulf because it's a large distribution center. The Port of Houston has deep-water service, it's a quick turnaround from the Panama Canal, and we've got quick rail and highway access to any part of the country," Clarence says.

Further south in New Orleans, the Panama Canal expansion could mean some business growth for MBLX, says director **Stephen Brooks**.

"The Port of New Orleans certainly expects to benefit from the expansion project. It should have a positive impact on MBLX. While the majority of our cargo is break-bulk, we could see growth in our container stripping business, where we strip the cargo from containers and load it in bulk and bag form onto barges."

More business anticipated for southeastern U.S.

Kay Peterson, branch manager in Savannah, Georgia, believes her team will get a lot busier in mid-2015.

They're busy now handling container shipments for clients. Today, 47 per cent of the containers off-loaded in Savannah, come through the Panama Canal.

"There'll be a lot more cargo coming in," says Kay. "There will be clients who'll send additional products here."

In Charleston, South Carolina, there's also anticipation that bigger ships coming through the canal will spell business growth for Livingston.

"I do see us getting a lot busier here in Charleston, says **Becky Lyons**, import manager. "There are some major importers who have container shipments coming through Charleston harbor."

Smaller clients may benefit most

Shara believes smaller importers will benefit most from larger vessels with more cargo capacity using the Panama Canal.

"When space is at a premium the carriers will often limit the number of non-contract containers per vessel, giving preference to the big importers with high volumes and service contracts. I think the little guy will probably have more opportunities; more space opens up more possibilities. The larger the vessel, the more shippers that can get on that vessel."



Building relationship with U.S. sales for growth

Kay sees her team working more closely with U.S. sales as completion of the Panama Canal expansion draws nearer.

"With our existing clients, we're trying to quote them on different facets that we don't currently handle for them, but we're also going to need sales help to target people."

Clarence Bull thinks there'll be more containerized general commodities coming through Houston on larger, post-Panamax ships.

That's good news to Mike.

"We have regular conference calls with **Russ Vondra** (U.S. air/sea service delivery director) and his management team, and we're looking at opening up the calls to include people in the branches. We want to find out more about what's happening in their locations, and what their needs are, and build the relationship with them. That's the first step."

In Norfolk, Shara, like Kay in Savannah, likes the idea of getting help developing business that could come from the canal expansion. "I think it's a fantastic idea that we probably haven't given as much thought to as we should," she says.

In Houston, Clarence also says his team will turn to U.S. sales for help, and not just because of the Panama Canal expansion opportunities.

"We're seeing prospects now, simply because the economy is starting to stabilize, and people are starting to import again. I'm a little excited, because I've been in this business since 1975, and I've been through all the highs and lows. I think in the next year, we'll see an increase in the import process."

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