

## PANAMA CANAL



above: The neo-panamax locks of the Panama Canal accept 20 rows-wide container vessels with a length of up to 370.3 meters. Draft is temporarily restricted from 50 to 44 feet.

Photo: Panama Canal Authority

### Alternatives available

Even when disruptions would become problematic (which is not the case), carriers and shippers still have many alternatives.

There are currently enough ships available for carriers to re-route Asia-USEC traffic through the Suez Canal, while American importers have the option to discharge their cargo at US West Coast ports and have it railed to the East Coast.

### Panama Canal extends transit restrictions

The Panama Canal Authority has advised its clients that restrictions on the number of daily vessel transits and maximum draft might remain in place for another ten more months as water levels in the Gatun lake remain low due to a prolonged period of drought. The El Niño weather phenomenon is likely to bring more dry weather.

While the first measure is not having any major impact on container services using the Panama Canal, the draft restrictions prevent the carriers to fully use the capacity of their ships.

At the end of last week, 124 merchant vessels were queuing up at both sides of the Canal for a transit.

Despite some media reports that the Panama restrictions could delay inventory restocking in the US for the Christmas shopping season, the constraints have no serious impact on the Asia-US East Coast trade.

The number of daily transits has been reduced from 36 to 32 with 10 passage slots reserved for the big locks and 22 for the old locks. Only eight slots per day are available for vessels that arrive without reservation.

Liner operators however always reserve their transits ahead of time and have a priority to pass the many bulkers and tankers waiting in the anchorages at both sides of the waterway.

The only restraint for big neo-panamax ships is the draft restriction of 44 feet (13.41 meter), down from 50 feet in normal circumstances. This draft limitation forced the 15,432 teu EVER MAX to discharge 700 feu in Balboa on its maiden trip earlier this month and transit the Panama Canal with 13,345 teu aboard (43' draft).

A two meters draft restriction means that big ships cannot use 1,500 to 2,000 teu of their maximum capacity. Carriers as Maersk or Hapag-Lloyd were quoted as saying that the effect is not immaterial, but not huge. Both carriers said there are currently no delays in the schedule due to Panama transits.

The effect on the Panama restrictions on ocean freight rates is yet to be determined. Spot freight rates from Shanghai to the US East Coast have seen a steady increase from USD 2,370/feu at the end of June to USD 3,100/feu in mid-August.

Rates from Shanghai to the US West Coast also strengthened in the same period, albeit to a lesser extent. Spot freight rates from Shanghai to New York dropped however last week to USD 3,050/feu according to the Shanghai Containerized Freight Index.