


The Potential Impacts of the Panama Canal Expansion and Evolving PPX/SPPX Ship Routes on Michigan Freight/Hub Logistics: Highlights

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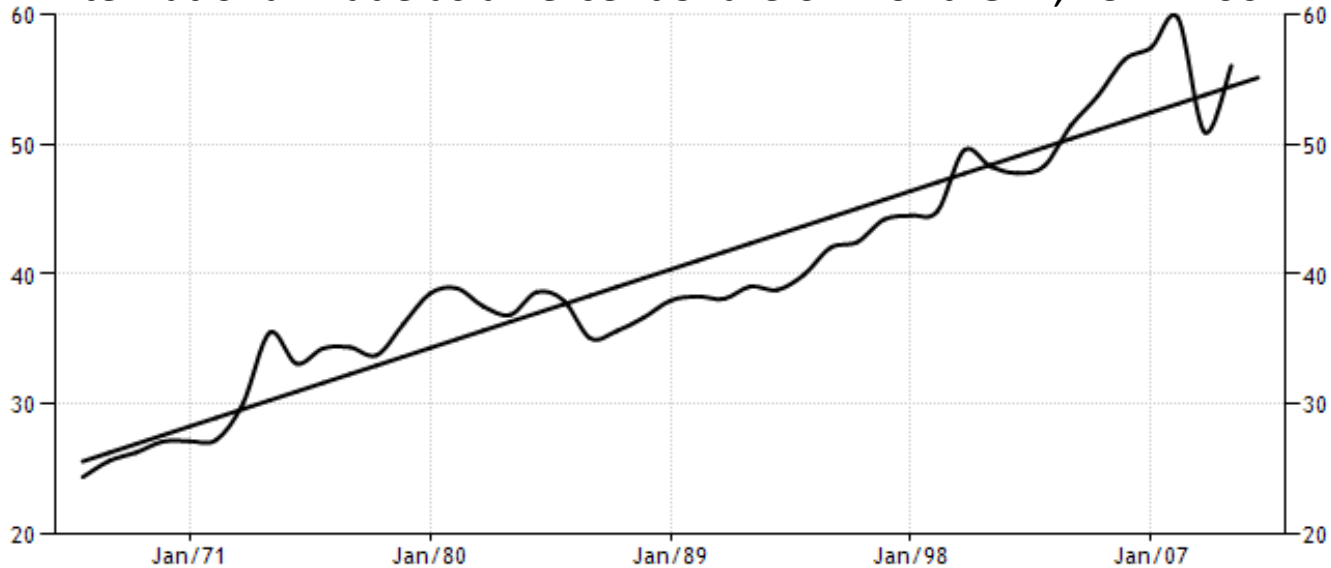
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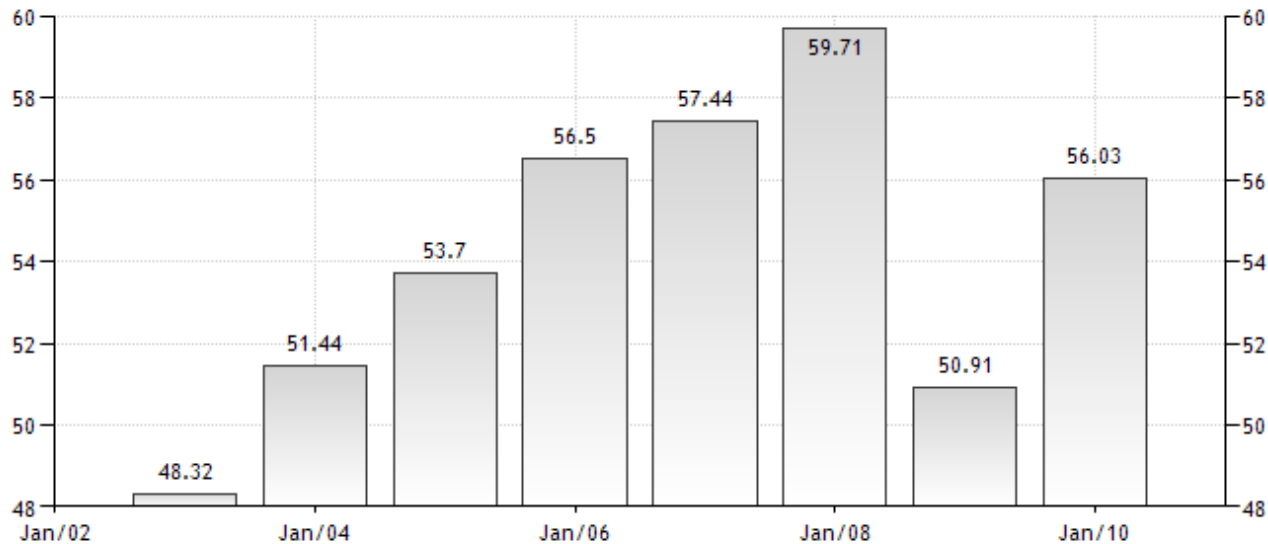
Global Trade Context and Overview

- Global trade as a percentage of GDP grew steadily for the 40 years through 2008 (see the next slide).
- Recent changes in trade routes due to:
 - Increased carrying capacity of container ships.
 - Greater emphasis on logistics hubs.
 - Emphasis on transportation corridors.

International Trade as a Percent Share of World GDP, 1971-2007



International Trade as a Percent Share of World GDP, 2002-2010



Context of Panama Canal Expansion

- Panama Canal Authority decided to expand Canal to accommodate post-Panamax ships July 2009.
 - Decision based on loss of business from PPX ships that Canal cannot accommodate.
 - Current Canal capacity: 7,000 TEU ships.
 - Expanded Canal capacity: 12,000 TEU ships.
 - Expanded sizes of container ships, 2012-2013.
 - SPPX ships: 14,000+ TEUs and growing.

Vessel Type by TEU capacity

Vessel Type	TEU Capacity
Feeder	1,000 to 2,8000
Panamax	2,800 to 5,100
Post-Panamax	5,100 to 10,000
Super Post-Panamax	10,000 to 14,500
Ultra-Large Container Vessel (ULCV)	14,000+

Source: MAN Diesel and Turbo. "Propulsion Trends in Container Vessels."

Impact of SPPX Container Ships

- As of 2012, 90% of Asia-Atlantic Coast cargo traveled through Panama Canal, 10% passes through Suez Canal.
- Fundamental shift taking place right now.
 - 60% Panama Canal, 40% Suez Canal (by end of 2013).
 - SPPX container ships driving freight route shift from Panama Canal to Suez Canal.

Potential Michigan Inland Port Opportunity

- Three major factors:
 - Immediate proximity to Ontario,
 - Direct rail connection to Port of Halifax,
 - Alternative to Chicago rail hub congestion.
- Highlights need for policymakers to pursue inland port/hub strategy.
 - Bi-national cooperation and public-private partnerships can facilitate development and implementation of hub strategy.
 - Existing groups: GLITTH, I-69 Int'l Trade Corridor, GLGFG.

Future Impact of Arctic Ocean Routes: Northern Sea Route and Northwest Passage

- Diminished Arctic sea ice cover may lead to:
 - Longer navigation seasons,
 - Improved shipping accessibility, and
 - Extended use of Arctic shipping routes.
- In 20 years, Arctic routes may provide alternative to current Asia-Europe routes during summer months.
- Physical infrastructure and skilled personnel to use Arctic routes not in place.
 - Other significant issues as well.

Conclusion

- Changes in China/SE Asian freight patterns will likely impact North American Atlantic port freight volumes.
- Impact of the 2015 Panama Canal expansion on these ports uncertain;
 - But limited to single digit increases.
- Michigan appears to be strategically-positioned to gain from shifts in global trade routes by aligning with port of Halifax.
- Further research is required to determine how Michigan can take advantage of shift in global trade.

Thank you!

Feedback and Questions are welcome.

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