After nine years of construction and a series of delays, a $5.4 billion expansion of the Panama Canal was inaugurated Sunday June 26. The expansion is expected to have a significant economic impact for U.S. ports and the states in which they reside. Here’s a rundown of what a number of states are expecting, the preparations and challenges that could lie ahead for the nation’s ports and some economic factors that could reshape expectations for the new canal.

Snapshots of Expected Impacts for States

The first commercial vessel to navigate the Panama Canal’s newly expanded locks Sunday was the Chinese-owned container ship Cosco Shipping Panama. The enlarged Panama Canal, which can accommodate larger container ships than the previous locks could, has long been expected to alter the distribution of cargo between U.S. East and West Coast ports. But a number of states in the nation’s midsection have also been preparing for the impacts of the canal’s expanded capacity. Here are some snapshots of various states, ports and regions of the country:

- **California/Oregon/Washington**: West Coast ports that receive goods from Asia have long been expected to see a negative impact from changes in international shipping the canal is expected to bring. Some of the four million jobs in California, Oregon and Washington tied to Asian imports, including many jobs at the ports of Seattle, San Francisco/Oakland and Los Angeles/Long Beach, could be in jeopardy, KPBS reported. “Cargo containers from Asia filled with everything from tennis shoes to computers now can take a direct, all-water rout to East Coast and southern ports, avoiding the trucks, distribution centers and trains necessary to transfer goods from L.A./Long Beach to far-flung U.S. markets,” The Long Beach Press Telegram noted in a recent piece. But trade experts say the impact on the West Coast will be gradual and that those ports have already been losing market share to East Coast ports in recent years. Analysts now predict anywhere from five to 10 percent of East Asia container traffic could be diverted over the next few years, but an increase in overall goods could make up for the loss. Moreover, the shipping industry appears to be shifting focus to even larger ships that can hold up to 21,000 containers due to the consolidation of global cargo carriers. L.A./Long Beach in investing more than $7 billion to make room for the ships, which even the new Panama Canal can’t handle.

- **Florida**: Officials at Port Tampa Bay expect the port and region to benefit from the canal expansion, The Tampa Bay Business Journal reported. As the first Florida full-service port ships can stop at after navigating the canal, Tampa is in a prime position to benefit from shipping interests looking to save two or more days getting to market by not sailing around the state to access East Coast ports, officials say. A dense population of distribution centers along the Interstate 4 corridor and recent upgrades at the port like the addition of two state-of-the-art cranes could also make Port Tampa Bay a winner, they believe. ... But PortMiami is also expecting new business after its recent $2 billion expansion, which gives it the capacity to receive post-Panamax vessels such as those passing through the canal, WLRN reported. Thanks to recent dredging, PortMiami is the only East Coast port south of Virginia with a capacity to accommodate ships that draft up to 50 feet in depth. The port also has new cranes and the ability to transfer from dock to rail, officials report.
Georgia: The Port of Savannah has embarked on a $706 million effort to dredge waterways used by container ships, *The Atlanta Journal-Constitution reported* [6]. The deepening project is expected to be completed in 2018. But state ports officials, who were at one time expecting the Panama Canal expansion to be a game changer for ports like Savannah, are now predicting only incremental growth due to the realities of global shipping and uncertainties of the global economy. Some analysts say the trade gain East Coast ports were expecting to see already happened. Moreover, the U.S. Army Corps of Engineers concluded five years ago that a deeper river would generate “no additional cargo volume.” Nevertheless the Port of Savannah has some inherent benefits, officials say, including two rail lines and proximity to Atlanta—a major southeast market and distribution hub.

Illinois: Chicago’s place at the center of the nation’s freight transportation network could be challenged in the years ahead as a result of the Panama Canal expansion, *Crain’s Chicago Business reported recently* [7], although the full local implications aren’t totally clear yet. At issue for Chicago is the potential impact on the business of the BNSF and Union Pacific railroads, which transport goods from West Coast ports to Midwest intermodal hubs from which truckers pick up containers and haul goods to retailers and other customers around the country. Another railroad with significant operations in Chicago—Canadian National—has made moves to meet anticipated new demand at their facilities in New Orleans and Mobile, Alabama.

Kentucky: Four river counties in far Western Kentucky—Ballard, Carlisle, Hickman and Fulton—are devising a strategy to determine the economic implications of the Panama Canal expansion, *The Lexington Herald-Leader reported* [8]. “This will change the economics so that folks are going to decide instead to import much of this cargo through the Panama Canal, up the Mississippi and then up the Ohio to points Midwest and in the Northeast,” said Jonathan Miller, a former Kentucky state treasurer who now works for the public affairs affiliate of a law firm working with the counties. “The four river counties are not only all on the Mississippi, but the northernmost river county, Ballard, and the city of Wickliffe are right at the confluence of the Mississippi and the Ohio.” Miller said the four counties are looking at forming a port authority to take full advantage of the economic opportunity the canal expansion could bring. Wickliffe holds the most potential as a port that could accommodate a big increase in river traffic and vessel size without additional dredging or other upgrades but even the port at Hickman in Fulton County, where expansion likely wouldn’t be possible, could stand to benefit, Miller said. The further development of Interstate 69 and freight rail in the region could be critical to the success of the river counties however.

Louisiana: Gulf Coast ports aren’t expecting quite the boom that East Coast ports are likely to see, according to a *Greater Baton Rouge Business Report article* [9] from earlier this year. But Louisiana, which is home to 33 ports including six deep-draft ports, could be the exception. “We expect to see container volume rise 8 percent to 10 percent in the first year, then 3 percent to 5 percent average growth rate per year, and that reflects that we could benefit from the canal’s expansion,” said Robert Landry, chief commercial officer for the Port of New Orleans. He added however that the forecast “was done a few years ago, when the economic outlook was rosier.” The Port of New Orleans and the Port of South Louisiana are both making efforts to expand capacity in anticipation of increased traffic.

Maryland: Maryland port officials are expecting the Panama Canal expansion to be a game changer for the Port of Baltimore and the entire maritime industry, *NJTV reported* [10]. A 2010 public-private partnership allowed the Maryland Port Administration to acquire four new cranes and dredge a 50-foot berth to accommodate larger ships and their cargo. The port is one of only three on the East Coast that can welcome the largest ships.

New York/New Jersey: The Port Authority of New York and New Jersey hopes to accommodate new, larger ships with a plan to invest $1.3 billion to raise the Bayonne Bridge, *NJTV News reported* [10]. Harsh weather and construction challenges have delayed completion of the project to 2017. But while the Port of Newark will miss out initially on some of the bigger ship traffic, port authority officials say in the meantime ships that navigate the Panama Canal and make their way up the East
Coast will be able to access the Port of New York and New Jersey in Bayonne.

- **North Carolina:** *The Charlotte Observer reported* [11] that the North Carolina State Port Authority is nearing completion of infrastructure improvements to prepare the Port of Wilmington for larger ships. Sixty percent of container cargo business in the state passes through the Panama Canal. But the Charlotte area could also feel the impact of increased ship traffic at the Port of Charleston in neighboring South Carolina. That’s because one of Norfolk Southern’s rail lines connects the port to Charlotte Douglas International Airport.

- **South Carolina:** Efforts to deepen the harbor at the Port of Charleston to 52 feet are expected to be complete by 2020, which would make the port the deepest on the East Coast, *The Charlotte Observer reported* [11]. South Carolina Congressman Mark Sanford was among 14 members of Congress who attended Sunday’s ceremony to celebrate the opening of the expanded Panama Canal, *The Post and Courier noted* [12]. Congress has funded the dredging of the harbor in the past but efforts to reauthorize the Water Resources Development Act, which includes money for the effort, may run out of time as members head toward lengthy recesses later this year. That could cause problems for the Port of Charleston. But Sanford indicated there would likely be other opportunities to continue funding to keep the dredging project on track. ... *GoUpstate.com meanwhile reported* [13] that the upstate of South Carolina could be one of the chief beneficiaries of the changes in container traffic brought by the Panama Canal expansion. Lowering the cost of bringing international goods to the East Coast could lead to a boom in manufacturing in the Spartanburg County area, where more than 6 million square feet of warehouse space is under construction and which is already home to BMW Manufacturing, a Rite Aid distribution center and other manufacturing and distribution facilities.

- **Texas:** The Port of Houston has spent $314 million on capital improvements this year. Port officials are expecting an influx of bigger container ships to have a big economic impact on the region, *Click 2 Houston reported* [14]. They point to furniture retailer Ikea, which has announced they’ll start bringing cargo through Houston instead of the West Coast. Academy sporting goods is also planning to increase imports through Houston. Such increased activity could translate into more jobs for Houstonians, officials say.

**Economic Factors Reshaping Expectations for the Canal**

It won’t be apparent for some time the actual effects the expansion of the Panama Canal will have for different parts of the country but there are a variety of global concerns causing some to temper their predictions. Among them are declines in global shipping overall due to the drop in oil prices (which make cross-country truck transport cheaper in some cases) and an economic slowdown in China (the canal’s second biggest customer), *the Associated Press noted* [15].

Both of these factors make it unlikely that the impact will be immediate, analysts say.

“It’s not like you’re going to have this huge wave of large ships that on day one will start flowing through the canal,” Mike Kilgore of the global supply chain consulting firm Chainalytics told Blueprint last year [16]. Kilgore also noted that shippers often design their supply chain around having multiple ports to avoid placing all their risk in one port.

Nevertheless, the promise of new traffic and the expected competition of other ports have seen many ports look to upgrade their facilities over the last decade. According to the American Association of Port Authorities, ports and their private sector partners are investing over $9 billion annually to modernize and expand with road and rail connections, harbor deepening projects and “inside the gate” infrastructure such as cranes and other equipment.

**CSG Resources**


Further Reading


By: Thursday, June 30, 2016 at 05:19 PM
Tags: Capitol Comments [27] Policy Area [28]› Transportation [29]› Cargo and Freight [30]