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Box traffic set to dip in Singapore

Up to half of the containership services between US East Coast and Asia seen being diverted to the Panama Canal from the Suez Canal

By **Tan Hwee Hwee** hweetan@sph.com.sg @HweetanBT

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Singapore

NOT everyone can be a winner when the world becomes smaller or flatter. The opening of the newly expanded Panama Canal makes possible shorter voyages for large ships servicing Asia-US East Coast trade.

Yet, this would see cargoes being diverted from competing trading routes, including those via the Suez Canal. What may follow from the rationalisation of cargo flows is a dip in container throughput for Asia-USEC trade at the Singapore port, according to analysts.

Analyst project that container shipping companies would divert to the Panama Canal route up to half of the Asia-USEC services that were sailing through the Suez Canal before this June.

There are roughly 23 weekly services from Asia to USEC, 14 through the Panama Canal and nine through the Suez Canal, according to CTI Consultancy partner Andy Lane. "Canals do not influence overall demand volumes; they merely enable alternative, lower cost and preferably less polluting vessel routings."

This suggests that amid slowing international trade, the battle between the two canals can only be a zero-sum game.

Mr Lane sees as many as four out of the nine Suez services plying the trade route between Asia and USEC switching to the Panama.

Alphaliner, a container shipping data and market intelligence provider, projects that just three out of the previous nine Asia-USEC services would switch.

Alphaliner executive consultant Tan Hua Joo told The Business Times that the CKYHE alliance had already withdrawn one Suez service, the AWE 4/AWK/NUE (AWE 4), and replaced it with alternatives using the Panama Canal.

CKYHE is an Asia-USEC alliance comprising Cosco, K Line, Yang Ming, Hanjin Shipping and Evergreen Line. BT understands that the AWE 4 service that was switched to the Panama used to call Singapore, Kaohsiung, Ningbo and Shanghai. The alliance still offers the AWE 8/AWP/AUE service that uses the Suez Canal, Mr Tan said.

Separately, Maersk Line also reportedly confirmed that the 2M alliance it has with Mediterranean Shipping Company was considering diverting one all-water Asia-USEC service from the Panama to the Suez.

Mr Tan sees an overall "negative" impact on Singapore and South-east Asia as this region is closer to the Suez than the Panama. But he noted that the Asia-USEC trade accounts for only "a small fraction" of the ships sailing through the Suez, a view shared by Mr Lane.

Mr Lane says that the switch would only "modestly impact" the container volumes at Singapore port. He also flags continuing demand for Suez routings providing the shortest distances from South-east Asia to the USEC.

A key selling point of the Panama is the potential time savings on trade routes between USEC and China. Larger vessels can now enjoy the time savings with the waterway having been widened to provide for the passage of neo-Panamax ships equivalent to 14,000 TEU (20-foot equivalent unit) boxships or 170,000 cubic metre liquefied natural gas carriers.

Some carriers, such as Marseille-based CMA CGM have suggested, however, that the time savings of the Panama over the Suez on Asia-USEC could be subtle, which calls for more thorough route planning.

CMA CGM estimated that the Panama Canal decreases by 11,000 kilometres the distance between Shanghai and New York on its Manhattan service, compared to a route via Cape Horn. By contrast, "the journey between New York and Hong Kong, is just one day difference (between) Suez and Panama". CMA CGM has eight services sailing through the Panama Canal, representing one vessel a day.

Other shipping companies and alliances appear on track to expand their services via the Panama, in more than one sense of the word.

Maersk Line network head Anders Boenaes said that the Danish shipping giant "will make increased use of the expanded Panama Canal and adjust one or more services (a 2M service is reportedly under consideration) with larger vessels through its new locks". He was referring to the new sets of locks that were added in the widening of the Panama Canal.

Maersk Line expects to make more than 400 vessel transits with over 400,000 containers in 2016 through the waterway.

Two alliances, G6 and CKYHE, are upgrading the size of ships used on the Asia-USEC via the Panama route, according to UK-based shipping consultancy Drewry. CKYHE is reportedly upgrading three Panama services to a maximum of 8,500 TEU while it reroutes the AWE8 service.

The Maritime and Port Authority of Singapore told BT that "some carriers may take advantage of the expanded Panama Canal". "Others may still find the Suez Canal attractive due to recent reduction of tolls for containerships . . . it is too early to tell what the diversionary impact on the traffic between the two routes will be.

"Trading patterns are likely to take a longer time to change as both loading and discharging ports must be upgraded before the economies of scale in vessel size can be maximised."

MPA conceded that the expansions of both the Suez and the Panama occurred "at a particularly challenging time for the maritime sector, which has been hit by the global economic slowdown, low oil prices and excess tonnage".

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