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Statement of

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Before the

U.S. Senate Committee on Commerce, Science and Transportation

on

Examining the Panama Canal and Its Impact on U.S. Trade and National Security

Introduction

Chairman Cruz, Ranking Member Cantwell, and members of the Committee, thank you for the invitation to testify today. My name is Joe Kramek. I am President and CEO of the World Shipping Council ("WSC"). WSC is a non-profit global trade association whose goal is to provide a coordinated voice for the liner shipping industry in its work with policymakers, the public, and other industry groups with an interest in sustainable, safe and secure international transportation.

WSC members are the international container ocean carriers and roll-on roll-off vehicle carriers that make global trade possible by offering cost efficient and effective transport for everything from raw materials, food, and machinery, to consumer goods like clothes, furniture, and electronics.

Liner Shipping—An Economic Engine of the United States

Shipping delivers 80% of global trade by volume, and liner ships carry 64% of all U.S. seaborne trade. In 2023 alone, global liner shipping contributed just over $2 trillion to the economic output of the nation—transporting nearly $1.5 trillion in goods to and from U.S. ports.

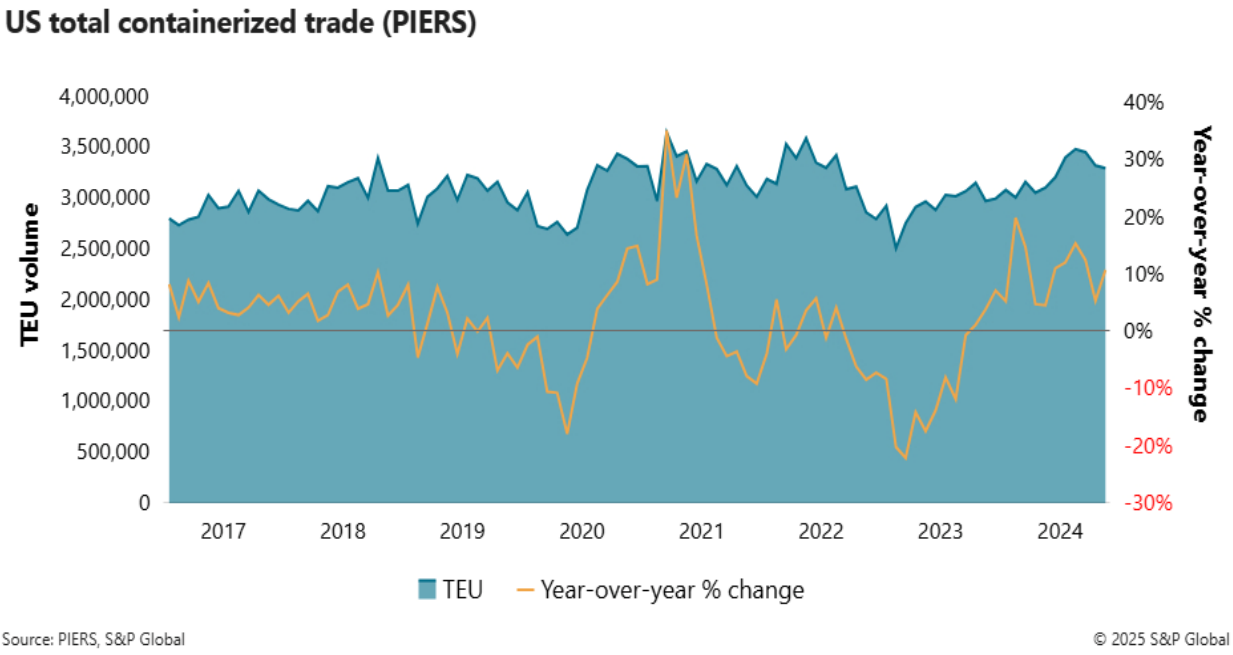
The liner shipping industry provides American importers and exporters with door-to-door delivery service for almost any commodity to and from roughly 190 countries.

Approximately 1,100 ocean-going liner vessels, mostly containerships, make more than 18,000 calls at ports in the United States during a given year. The liner shipping industry supports, both directly and indirectly, 6.4 million U.S. jobs; with wages and salaries paid to U.S. workers amounting to just over $442 billion.

WSC members' vessels calling on U.S. ports carry on average over 7,000 twenty-foot equivalents (TEU)—amounting to about 36 million TEUs of international trade transported into or out of U.S. ports.[1] Our members' largest vessels can carry 24,000 TEU at one time.

What makes liner shipping unique is that our vessels operate on regularly scheduled services with fixed routes – known as strings or loops – much like a bus or train service does. These regularly scheduled services provide our members' customers – U.S. importers and exporters including agricultural exporters and farmers – with a vessel in a particular port several times a week to receive and offload imports or load their exports.

In 2024, U.S. container import volumes remained at near record levels, continuing a trend of higher year-on-year volumes, with December marking only the third time in history when imports exceeded 2.3 million TEUs.[2]



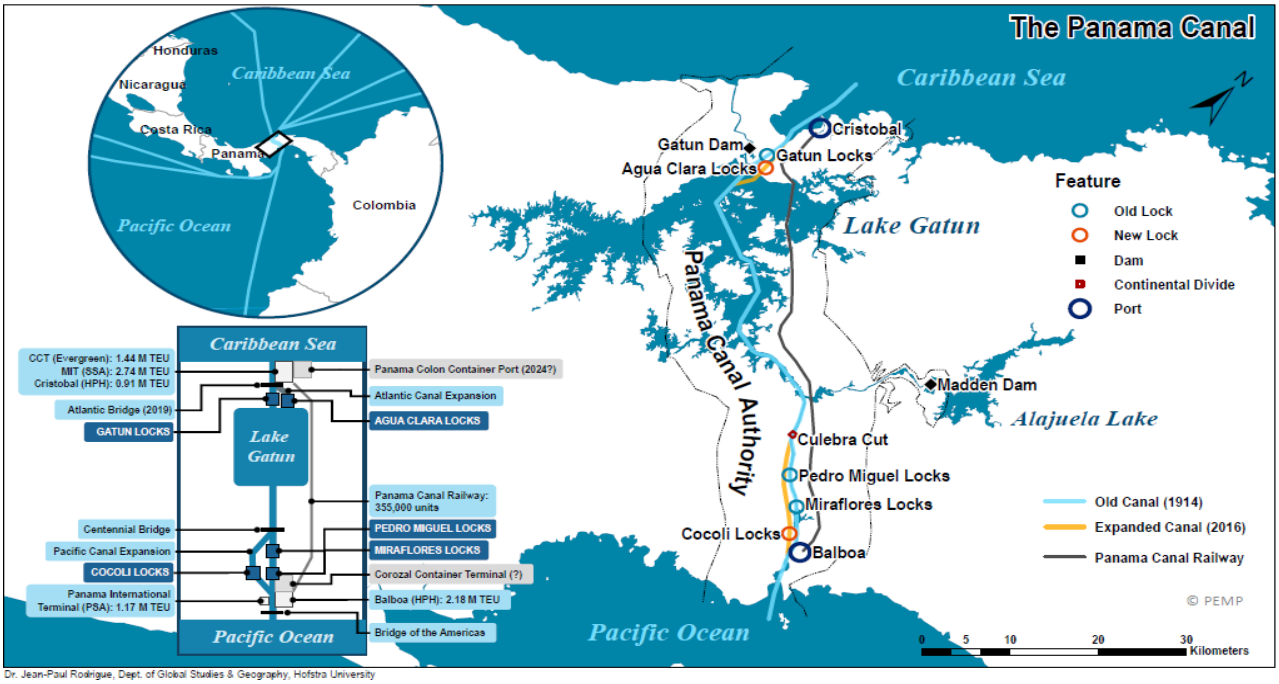
These record volumes demonstrate WSC member lines' sustained commitment to serving the international trade of the United States.

[1] PIERS, S&P Global

[2] Descartes Global Shipping Report 2024, available at https://www.descartes.com/resources/global-logistics-shipping-report-resource-center

Importance of the Panama Canal to the U.S. Trade and Economy

The Panama Canal connects the Atlantic and Pacific Oceans running some 51 miles across the Isthmus of Panama. The original locks were completed in 1914 and can handle ships with a draft of 40 feet, a width of 106 feet, and a length of 965 feet – ships of this size have a maximum capacity of approximately 4,500 TEU.[3] The new expanded locks were completed in 2016 and can handle ships with a draft of 50 feet, a width of 160 feet, and a length of 1200 feet – ships of this size are known as Neopanamax vessels and can carry in excess of 14,000 TEU.[4] Uniquely, unlike other canals such as the Suez, the Panama Canal is fed by freshwater from Lake Gatun, and recent droughts have impacted canal water levels, resulting in reduced transits or vessel draft restrictions.



The Panama Canal is strategically important to ocean liners servicing U.S. markets. The Canal handles about 5% of global maritime trade, and 75% of Panama Canal traffic either originates or is bound to the United States. Recently, more than 14,000 transits through the Panama Canal were made in a single year.

Use of the Panama Canal reduces transit time and the associated fuel costs that would otherwise be incurred to transit between the Atlantic and Pacific Oceans. The reduction in transit time and distance facilitates trade between East Asia and the East Coast of the United States, as well as between Europe and the West Coast of South America.

[3] https://transportgeography.org/contents/chapter5/maritime-transportation/evolution-containerships-classes/

[4] Port Economics and Management Policy 2022, Theo Notteboom, Athanasios Pallis and Jean-Paul Routledge, available at Main Components of the Panama Canal | Port Economics, Management and Policy

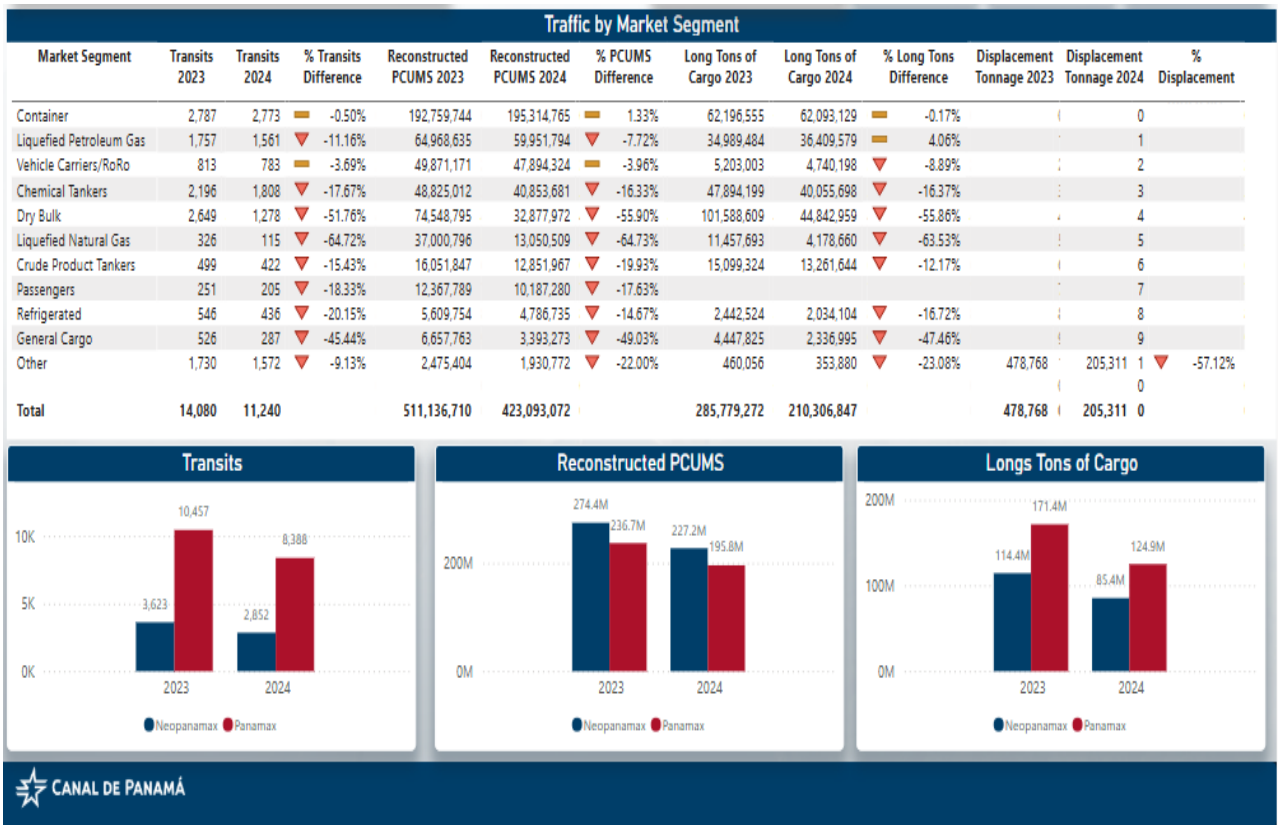
An ocean carrier transiting from New York to Shanghai via the Panama Canal could complete this trip in 29 days using the Panama Canal, whereas not using the Panama Canal would require transit via Suez Canal or transiting around the Cape of Good Hope which would take 34 or 39 days, respectively.

Routes Between New York and Shanghai

Similarly, a vessel transiting from Peru to New York would take 9 days on average via the Panama Canal, and 26 days via Cape Horn.

Routes Between New York and Callao, Peru

Container liners are the largest users of the Panama Canal, accounting for 20%-25% of all transits, with 2,787 transits in 2023, and 2,773 transits in 2024.



Market Segment	Transits 2023	Transits 2024	% Transits Difference	Reconstructed PCUMS 2023	Reconstructed PCUMS 2024	% PCUMS Difference	Long Tons of Cargo 2023	Long Tons of Cargo 2024	% Long Tons Difference	Displacement Tonnage 2023	Displacement Tonnage 2024	% Displacement
Container	2,787	2,773	-0.50%	192,759,744	195,314,765	1.33%	62,196,555	62,093,129	-0.17%		0	
Liquefied Petroleum Gas	1,757	1,561	-11.16%	64,968,635	59,951,794	-7.72%	34,989,484	36,409,579	4.06%		1	
Vehicle Carriers/RoRo	813	783	-3.69%	49,871,171	47,894,324	-3.96%	5,203,003	4,740,198	-8.89%		2	
Chemical Tankers	2,196	1,808	-17.67%	48,825,012	40,853,681	-16.33%	47,894,199	40,055,698	-16.37%		3	
Dry Bulk	2,649	1,278	-51.76%	74,548,795	32,877,972	-55.90%	101,588,609	44,842,959	-55.86%		4	
Liquefied Natural Gas	326	115	-64.72%	37,000,796	13,050,509	-64.73%	11,457,693	4,178,660	-63.53%		5	
Crude Product Tankers	499	422	-15.43%	16,051,847	12,851,967	-19.93%	15,099,324	13,261,644	-12.17%		6	
Passengers	251	205	-18.33%	12,367,789	10,187,280	-17.63%					7	
Refrigerated	546	436	-20.15%	5,609,754	4,786,735	-14.67%	2,442,524	2,034,104	-16.72%		8	
General Cargo	526	287	-45.44%	6,657,763	3,393,273	-49.03%	4,447,825	2,336,995	-47.46%		9	
Other	1,730	1,572	-9.13%	2,475,404	1,930,772	-22.00%	460,056	353,880	-23.08%	478,768	205,311	1 -57.12%
												0
Total	14,080	11,240		511,136,710	423,093,072		285,779,272	210,306,847		478,768	205,311	0

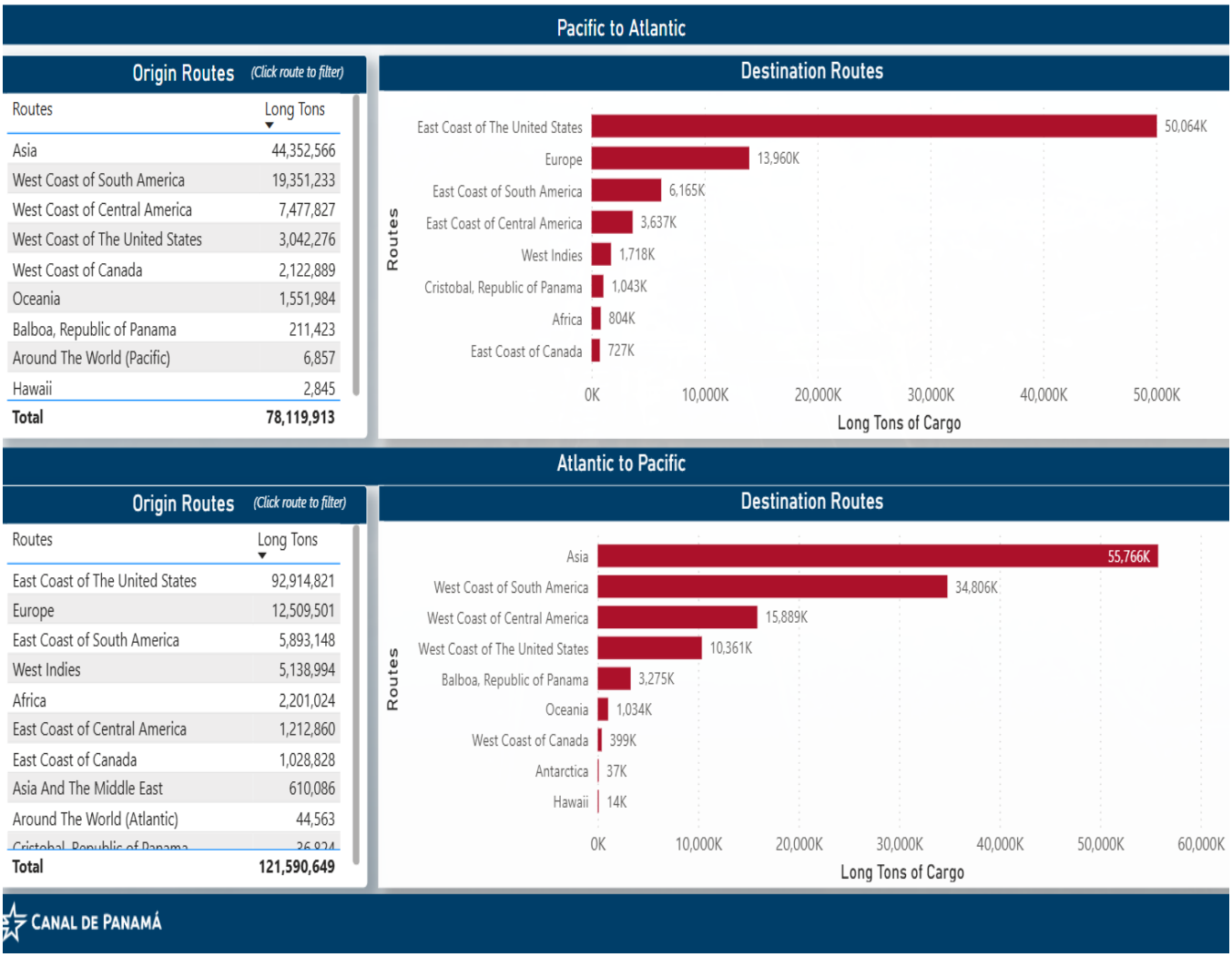
Source: Panama Canal Authority https://pancanal.com/en/statistics/

75% of all cargo transiting the canal originates in or is destined for the United States. In 2024 alone, nearly 100 million long tons of cargo originating in the United States (of which 93% originated in the Gulf or East Coast), and over 57 million long tons of cargo destined for the United States (of which 87% was destined for the Gulf or East Coast) passed through the Panama Canal.[5]

Top 5 Countries by Cargo (Long Tons) FY 2024						
Country	Origin	Destination	Intercoastal	Total	Total Excluding Intercoastal	%
United States	99,627,938	57,434,100	3,059,031	160,121,069	157,062,038	74.7%
China	23,801,407	21,241,347		45,042,754	45,042,754	21.4%
Japan	5,292,370	25,437,768		30,730,138	30,730,138	14.6%
Korea, Republic of	11,330,537	8,338,453		19,668,991	19,668,991	9.4%
Chile	7,803,167	9,620,743		17,423,910	17,423,910	8.3%

[5] https://pancanal.com/en/statistics/

U.S. East and Gulf Coast imports and exports, *by a large margin*, are the most common goods transported through the Panama Canal.



Source: Panama Canal Authority https://pancanal.com/en/statistics/

Exports to Asia from the U.S. Gulf and East Coast, also represent a significant market, for which the Panama Canal provides the fastest route.

In 2023, the Port of Houston exported $13.9 billion in containerized trade to Asia—the largest commodity being plastics (or resins); and while not entirely containerized, the Port of New Orleans exported $26.9 billion in seaborne trade to Asia. In that same year along the East Coast, the Port of New York and New Jersey exported $16.4 billion in containerized commodities headed for Asia. This was closely followed by the Port of Savannah with their containerized exports to Asia valued at $13.1 billion – the top containerized exports being cotton and vehicles.

The US exported $71 billion in agriculture exports to Asia in 2023, with the major containerized ports on the Gulf and East Coast being Norfolk, New York and New Jersey, Houston, and Savannah.

Panama Canal Administration, Tariff Schedule and Transit Options

The Panama Canal is managed by the Panama Canal Authority (PCA). The PCA is an autonomous legal entity with the exclusive responsibility for the administration, operation, conservation, regulation, maintenance and modernization of the Canal. The PCA sets the tariffs schedule to transit the Canal and makes the fees available to the public on its website.[6]

Canal transit charges are based on, among other things, the size of the vessel, the lock to be used, and the cargo aboard the vessel. Prior to revising its tariff schedule, the PCA is required to provide interested parties an opportunity to participate in a public consultation process.

There are several ways to arrange passage through the Panama Canal – advanced booking, regular transit and auctions. WSC members, because of the nature of liner shipping being on scheduled routes, largely book their passage in advance – which can be done up to a year in advance.

Other types of shipping, such as product tankers or bulk vessels, tend to use "regular transit" because they receive their orders on a per trip basis (known as tramp shipping) and therefore can only book their canal transit slot once their destination is known. Vessels making regular transit books have their transit order determined by the PCA, and may have to wait several days until their transit slot is available.

Transit slots may also be arranged via auction. While typically more costly, the auction process does provide a unique service where vessels with high priority cargos, who do not have advanced booking slots, and do not wish to wait for slot availability, can bid for immediate availability. The PCA typically keeps two extra slots open per day for auction customers. In August 2024, the PCA implemented a new system for the larger Neopanamax locks – called long term slot allocation system (LoTSA) – which is a blind tender bid process starting at $200,000, that allows parties to bid for remaining Neopanamax slots.

Panama Canal – Low Water Level Impacts 2023-2024

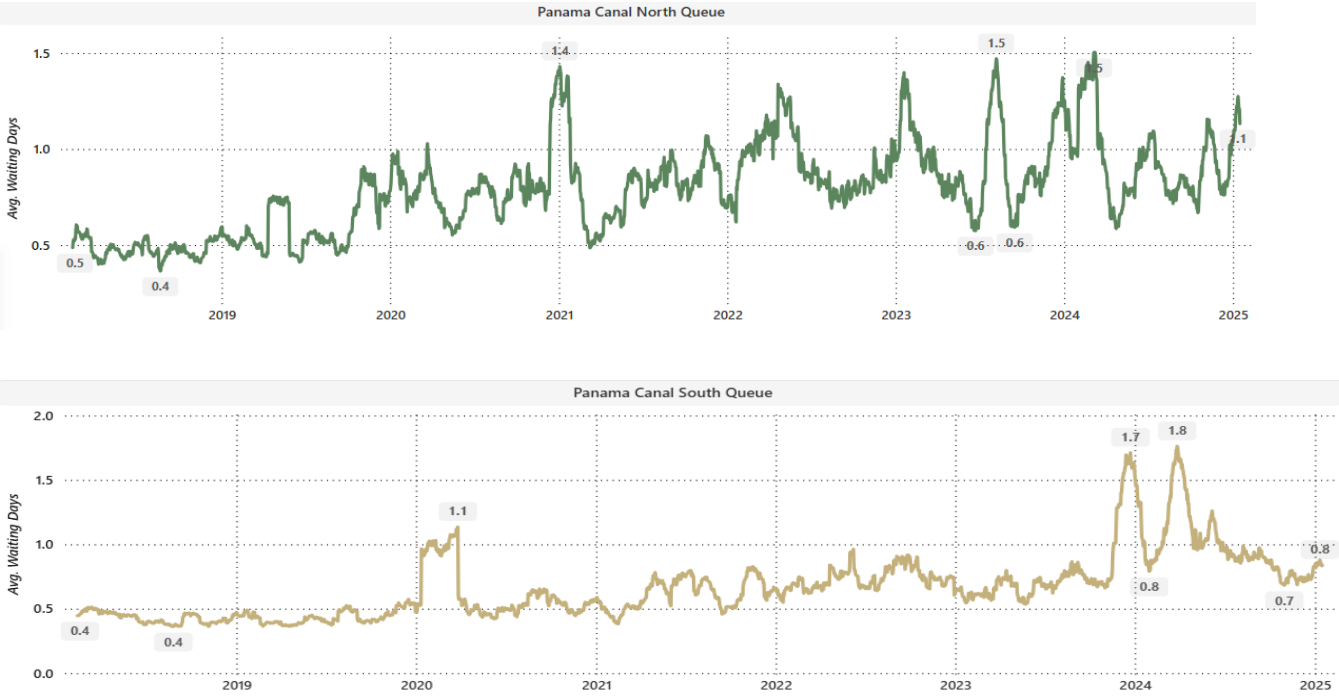
The Panama Canal locks are fed by fresh water from Lake Gatun. The rainy season in Panama runs from May to November. However, in 2023, Panama experienced a severe drought, which led to historic low water levels in Lake Gatun, resulting in the PCA reducing transits through the canal from 36 to as low as 22 per day – ultimately reducing

[6] Panama Canal Authority, Tariff Schedules, available at https://pancanal.com/en/maritime-services/maritime-tariff/

yearly transits by 20%.[7] In addition, the PCA reduced the maximum allowable draft (i.e., the vertical distance between the waterline and the lowest point of the vessel) from 50 feet to 44 feet for Neopanamax vessels, to conserve water.[8]

The low water levels had significant impacts on global shipping. The impacts on liner shipping resulted in an almost 10% reduction in import volumes for U.S. Gulf and East Coast Ports, with the Port of Houston experiencing a 26.7% reduction.[9]

Overall, however, liner shipping experienced the least impact of all vessel sectors, because as discussed above, container liners booked advanced slot reservations which were honored by the PCA. The average wait time for container vessels transiting from North to South (Atlantic Ocean to the Pacific Ocean) did not exceed 1.5 days. For container vessels transiting from South to the North (Pacific to Atlantic) the average wait time did not exceed 1.8 days. Some liner companies also elected to move a portion of their loaded containers via rail across Panama and retrieve them on the opposite side, as a means of dealing with draft restrictions.



Source: Alphaliner – Canals Traffic & Congestion Liner - Panama Canal Wait Time. Data above is inclusive of container vessel transits booked in advance and container vessels not booked in advance.

[7] Freightwaves Nov. 29, 2023, "No reservation at the Panama Canal? Prepare for a long wait, available at https://www.freightwaves.com/news/no-reservation-at-panama-canal-prepare-for-a-long-wait

[8] Panama Canal Authority, Advisory to Shipping No. A-20-2023

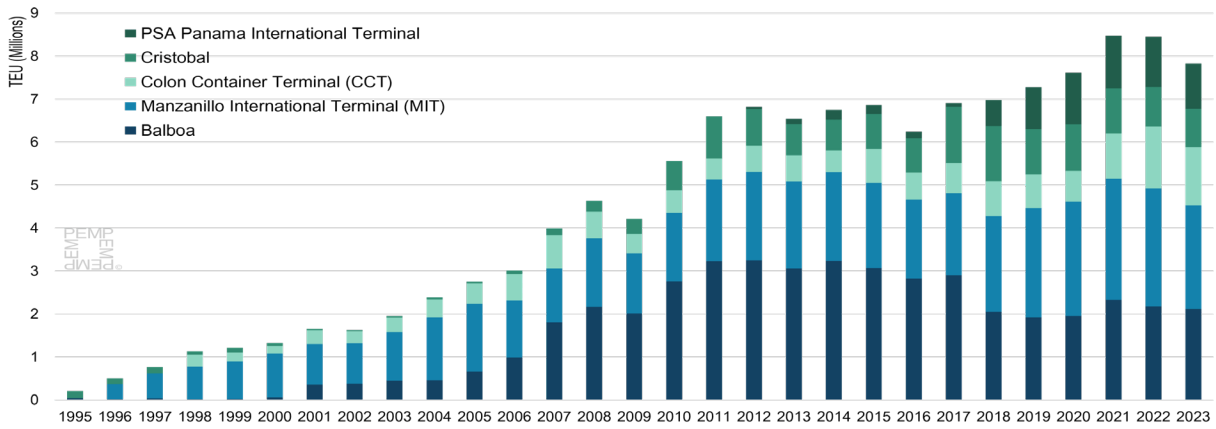
[9] Descartes Global Shipping Report November 2023, Panama Drought Impacting East and Gulf Coast Ports, available at https://www.descartes.com/resources/knowledge-center/global-shipping-report-november-2023-us-container-import-volumes-down-from-october

Facilitating Transshipment—Major Container Ports in Panama

Prior to the mid-1990s, Panamanian ports handled small container volumes—under 200,000 TEU—and most of those were for domestic use. However, between 1995 and 2002, a time corresponding to the initial privatization of ports, new container facilities were built in Panama—thereby starting the process of making Panama a major regional transshipment hub.

Transshipment is the process of transferring containers from one vessel to another at an intermediate port. This method is critical to container shipping as it optimizes shipping routes and reduces costs—allowing goods to be routed efficiently to their final destination. The main container terminal facilities on the Atlantic side of Panama are the Manzanillo International Terminals, and the Colon Container Terminal—privatized in 1995 and 1997, respectively. On the Pacific side of Panama, the major ports are the Port of Balboa (privatized in 1997) and the PSA Panama International Terminal (opening and privatized in 2011).

From 2002 through 2011 the Port of Balboa made significant gains in the number of TEUs handled—signaling the emergent transshipment function that Panama plays in the transpacific and west coast of Latin America trade. Thereafter from 2012 through today, ports in Panama have increased their transshipment capability with the PSA Panama International Terminal starting with an initial container capacity of 250,000 TEU in 2012 and expanding that capacity to 2 million TEU in 2017.[10] All told, collectively, container traffic handled at the main container ports in Panama exceeded 8 million TEU in 2021 and 2022. The drop in 2023 is attributed to the aforementioned drought.[11]



Container Traffic Handled at the Main Panamanian Ports 1995-2023[12]

[10] Port Economics and Management Policy 2022, Theo Notteboom, Athanasios Pallis and Jean-Paul Routledge, available at https://porteconomicsmanagement.org/pemp/contents/part1/interoceanic-passages/container-traffic-panamanian-ports/

[11] Id.

[12] Id.

Conclusion

Thank you for the opportunity to discuss WSC member lines' contributions to the U.S. economy and our industry's use of the Panama Canal. WSC members appreciate the Committee's continuing support and commitment to the liner shipping and maritime industry, and I look forward to any questions you and the members of the Committee may have.

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