

# The search is on for the perfect solution

One route is too long and the other lacks capacity.

**Robert Wright** on the dilemma for shipping lines

When Ferdinand de Lesseps, the French engineer who built Egypt's Suez Canal, was in the midst of his doomed attempt to create a Panama Canal, he met some salesmen on a train in France. According to *The Path Between the Seas*, David McCullough's classic account of the Panama Canal's construction, de Lesseps' self-confidence was so high that he told the men his line of business was "isthmuses". He intended to go on after Panama to build a canal across Malaysia.

Even de Lesseps, however, would surely have been surprised to learn that, one day, the Suez Canal would compete for business with the Panama Canal, which was completed by the Americans after de Lesseps' effort failed.

Yet as a recent surge of traffic from Asia - particularly China - to the US east coast has brought the Panama Canal very close to capacity, more and more shipping lines have been considering introducing new services to the US east coast from Asia via Suez.

The Suez Canal can - at least in theory - partly compensate for the longer transit time from most Asian ports to the US by handling larger vessels than can use the existing Panama Canal. It is also easier to secure slots to use Suez.

However, shipping lines believe that, with the Suez route too long for most Asian exports, capacity at Panama becoming very tight and US east coast



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becoming very tight and US east coast ports overstretched, neither route offers a perfect solution.

Ron Widdows, chief executive of APL, a Singapore-based container shipping line, says he expects lines to be able to launch some new Asia-US services via Panama this year and next. Ships might nevertheless soon face serious delays as the canal becomes overstretched.

"We see [congestion] developing into a larger problem," he says. "As it goes on over the next year or so, you will see additional services that will get created through the Suez because the demand to the US east coast is quite high."

Alberto Aleman Zubieta, the Panama Canal's administrator, insists meanwhile that few lines will consider such alternatives until Panama's capacity is completely exhausted. That has yet to

happen, he says, and the canal is working on schemes to allow its existing infrastructure to accommodate up to 30 voyages in each direction per day, compared with the present 25.

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Panama also works too well as a site to consolidate cargoes going to and from points all over the Americas for lines readily to switch to other routes, according to Mr Aleman Zubieta.

"You have to look not only at the route itself but where the cargo lives and when it will go to the distribution centre," he says. "It's a complete system."

The big advantage for the 163km

Suez Canal is that, because it crosses flat land and the Mediterranean and Red Seas are almost the same level, it has no locks. Although vessels have to use the single, narrow channel in convoys and it is too shallow for the largest oil tankers and bulk ships, the 138-year-old canal is deep and wide enough for every container ship currently afloat.

The Panama Canal, meanwhile, has grown more popular in the last five years as a route to the US east coast as US demand for China's exports has grown and the main alternative route - via US west coast ports and the US railroad system - has become more congested and more expensive.

The 77km canal, opened in 1914, is vastly more complicated than Suez, however. A series of locks lifts vessels 26 metres above sea level to cross the

continental divide, while much of the canal is formed from artificial lakes created to contain the huge flows of water from the Chagres River. The locks are too small for the latest large

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container ships.

Mr Widdows, whose company is a big user of both canals, says that Suez routes to the US are viable only for

exports from south-east Asia, rather than the main exporting regions of China. Weekly southern China-US services via Suez would require an expensive ninth vessel, while services from south-east Asia need only eight - the same as China-US east coast services via Panama.

The theoretical advantages of running larger, more cost-effective ships via Suez are cancelled out by the limitations of many US east coast ports. Many ports - particularly in the important region of the US north-east - are either near their full cargo-handling capacity or cannot physically accept large ships.

"How many more services can you put into the north-east and have a reliable operation when the terminals are as stressed as they already are?" Mr Widdows asks.

The ports need to dredge deeper channels, raise bridges and introduce newer, better equipment and more flexible working practices.

Ferdinand de Lesseps, who was inspired only by large, dramatic challenges, would probably not have warmed to such tasks but, according to Mr Widdows, they are vitally necessary. The improvements will be necessary if lines are to make the best use of the expanded Panama Canal and, before then, they could ease the pressure on one of the world's busiest shipping routes by making new services via Suez more viable.

"The shipping industry has the ability to run larger tonnage," Mr Widdows says. "The JUS] east coast ports have a problem in handling it. The industry in general is going to Continue to be in this bind."