“CARIBBEAN LOGISTICS: THE ROAD AHEAD”

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The Caribbean at a Crossroads

- There is a major shift in the global transportation corridors due to the;
  - Expansion of the Panama Canal scheduled to open in the first quarter of 2016 – USD7 bn
  - The construction of the Interoceanic Grand Canal Nicaragua Project - 2020 – USD$50 bn
  - Proposed Guatemala’s Interoceanic Corridor
  - Transformation of ports from “Transshipment Hub ports” to “Gateway ports” facilitating “Last Mile Logistics”
• The Suez Canal Factor – Upgraded US East Coast Facilities.

• Planned Upgrade of the US Land bridge
"Build it and they will come" is not enough: Egypt's $8 billion Suez Canal expansion sounds dubious – now done.

The project adds a new 35-kilometre-long (22 mi) second shipping lane in the existing 164-kilometre-long (102 mi) canal, allowing for separated passing of ships in opposite directions. It also includes the deepening and expansion of a 37-kilometre-long (23 mi) section of the existing canal.
This is expected to decrease waiting time from 11 hours to 3 hours for most ships, and to increase the capacity of the Suez Canal from 49 to 97 ships a day. The construction of the new canal was initially scheduled to take five years. It was then reduced to three years, and finally ordered by President to be completed in only one year.
PARADIGM SHIFT
• Nine out of every 10 containers going to the Caribbean leave empty – which is a **problem** and an **opportunity**.

• Since 2008, the global economic melt down ports are forced to re-invent themselves to becoming a part of **the global supply chain** and **no longer places to receive, store and deliver cargo**.

• The Caribbean has the opportunity of serving a wider 800 million population covering, North, Central and South America and all the Islands of touching the Caribbean Seas.
Definition of Greater Caribbean

- The Greater Caribbean is 4.3 million Km² of water with the Caribbean Sea and the Gulf of Mexico. It consists of 4,000 km of land from Florida to the Yucatan coast of Trinidad & Tobago. It includes the land touching the Caribbean Sea – USA, Mexico, Belize, Guatemala, Honduras, Nicaragua, Costa Rica, Panama, Colombia, and Venezuela. El Salvador, French Guiana, Guyana, Suriname, and Northern Brazil are also part of the Greater Caribbean.
The construction of a transoceanic canal through Nicaragua was initially an alternative considered before the Panama option was retained in the 19th century.


From the late 19th century to the 21st century the Nicaragua Canal option resurfaced from time to time with various stakeholders expressing interest at constructing or financing the project.

In late 2014, a route was officially retained.
• In July 2012, Nicaragua’s National Assembly passed a law authorizing a deep canal to be built.

• 50 years Concession granted to HKND Group (Wang Jing) – extended another 50 years.

• Represents - geopolitical shift – the Caribbean’s Geopolitics was dominated by Venezuela – Cuba.

• Now it is about the big game between the US and the Chinese – driven by global supply chain networks extending to the America’s and the Caribbean.
WHY BUILD A CANAL IN PANAMA

“The voyage (to California) by way of Cape Horn will occupy on an average, five or six months, while by the Isthmus route, the trip is accomplished in as many weeks!”

-- Gregory’s Guide for California Travelers via the (land route) Isthmus of Panama, 1850
Geographical Impact of the Panama Canal, 1914

NORTH AMERICA

SOUTH AMERICA

Atlantic Ocean

Panama Canal

8,000 KM

21,000 KM

Pacific Ocean
Guatemala Interoceanic Corridor
Proposed Corridor

- 372 Km long by 140 meters wide.
- 2 ports
- Interoceanic railway to move containers
- Highway along the route
- Pipelines – oil and gas
- Economic Zones
DRIVERS FOR CHANGE

- There are THREE forces driving the global shipping and logistics industry

- **SCALE** – *(ECONOMIES OF SCALE)* SHIPS – GETTING BIGGER – in response to lower cost and greater efficiency.

- **TECHNOLOGY** – Information visibility, traceability and general efficiency. – **Port Community System**.

- **LAST MILE LOGISTICS** – Supply chains are getting more agile and resilient and open the door for the Caribbean to serve in this market.
1. ECONOMIES OF SCALE

Evolution of Container Ships

- 1st Generation pre-1960-1970
- 2nd Generation 1971-1980
- 3rd Generation 1981-1990
- 4th Generation 1988-1995
- 5th Generation 1990-2000
- 6th Generation 1998

SEA LEVEL:
- 3m
- 6m
- 9m
- 12m
- 15m

- 11.6-12.5m
- 11.6-12.8m
- 12.8-14.0m
- >14.5m
MSC Oscar 20,000 TEUs
## COST FOR OPERATING A 13,000 TEU VESSEL

<table>
<thead>
<tr>
<th>COST</th>
<th>2008</th>
<th>2013</th>
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<tbody>
<tr>
<td><strong>COST PER TEU</strong></td>
<td>USD 12,355</td>
<td>USD 7,681</td>
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<tr>
<td><strong>CAPITAL COST</strong></td>
<td>USD43,760/Day</td>
<td>USD27,205/Day</td>
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<tr>
<td><strong>FUEL COST</strong></td>
<td>USD90,600/Day</td>
<td>USD63,600/Day</td>
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<tr>
<td><strong>TRANSLATES TO DAILY SAVINGS</strong></td>
<td>USD12,800,800</td>
<td><strong>OF USD 43,500 OR</strong></td>
</tr>
</tbody>
</table>

**TRANSLATES TO DAILY SAVINGS USD12,800,800**

**OF USD 43,500 OR**
2. TECHNOLOGY
The emergence of new “Logistics Hub Ports” as the rush is to move up the value chain.

The last mile the most inefficient part of the global supply chain and presents the greatest opportunities to include air transportation.
CAUCEDO DOM. REP.
Caucedo “Value-added”
KWL – Value Added
MARIEL CUBA
“60% of the best jobs in the next ten years haven’t been invented yet.”

- Thomas Frey
THE END