Panama Canal Administrator H.E. Ricaurte Vásquez Morales
April 13, 2020

- The Canal has seen limited impact so far on vessel arrival volumes because of the time lag associated with arrivals.
- Volumes have reduced to 34 arrivals per day from a normal rate of 35. About 80 vessels are waiting in queue with delay times below 4 days, which is not unusual in pre Covid 19 times. For now, the system remains strong. Those who have a higher priority are willing to pay higher rates for transit.
- There is a difference between short term and long-term trends impacting the Canal. One existing trend is the consequence of the commercial trade war between the U.S. and China.
- Prior to the trade agreement on January 19, there was a significant volume moving through the canal in anticipation of tariff increases as well as the Chinese New Year.
- In the short-term there has been no or very little impact. In the long term there may be a major change in manufacturing economics and a reallocation of origin and destination lanes. The impact on the Canal is unknown.
- The Canal has not seen the bottom yet. It depends on how rapidly the U.S. economy recovers and how the world adjusts. There is going to be a cost with the shift [in supply chains] and there is probably going to be a new reality.
- Low oil prices might allow for different [shipping] routes. But contracts exist and delivery time can still matter. The Canal is still the shortest route. We have to see how it fits into the new transportation cost regime.
- The Canal is following more strict procedures to comply with the health situation.
- The Canal has a solid financial position, and will remain competitive as an international route.
- The Canal anticipates that energy products moving from the U.S. to Asia will be significant for the months to come.
- At the Canal we can hope for a big surge in demand for ocean-going capacity once the situation starts normalizing again, but we will plan for a slow ramp up. We have not really seen a pick up from China yet.
- The Canal will remain open as much as possible and we are working very diligently to lead to a stronger Canal after Covid 19 under whatever new reality might evolve.

Brandy D. Christian, President and CEO, Port of New Orleans;
April 14, 2020
Highlights from AVR3 - Ocean Shipping and Supply Chains under COVID-19

- Covid 19 has completely halted the Port’s cruise business since March 14. Cruise lines first instituted a 30 day suspension of operations, and now most lines have suspended through June. This had a substantial impact on the local economy.
- In March only 2 vessels cancelled and business was up 9.5% compared to 2019.
- Since March, a number of U.S. manufacturers have been pushing out a lot of goods, such as oil products for plastics, but imports from Asia have not been strong.
- The breakbulk business had been struggling for a couple of years due to the steel tariffs between the U.S. and China and we project this situation is going to get worse due to the slowdown of the automotive industry.
- POLA’s biggest challenge is the uncertainty and the unknown, which impacts planning and
- In the short-term POLA’s biggest concern is keeping our labor force healthy and keeping them safe. POLA has instituted strict health measures at all terminals and pilot crews are extreme precautions to stay safe.
- In the mid-term POLA’s primary concern is storage. Many companies do not have warehouse capacity for containers and chassis, so ports must come up with ways to help store these items.
- In the longer-term POLA anticipates a significant equipment imbalance throughout the global supply chain.
- POLA is paying a great deal of attention to cybersecurity threats, as communication and information is essential, especially during this crisis.
- POLA is in the process of securing approximately 10 acres offsite for a terminal for storage and deal with future surge capacity.
- All of us in the network are taking significant revenue losses building capacity for storage.
- How long this will last is unknown, and there is a lot of uncertainty about ramp-ups of trade. We anticipate some shifts in the global supply chain. Flexibility of operations is needed to deal with these shifts.
- Communication, information and data is the biggest lesson learned with the supply chain in the current environment. At the port, visibility into missed sailings or changed supply chains is very important.
- The supply chain community needs to improve the importance of understanding the supply chain to the public, including the importance of the supply chain on a human scale.
- A lesson learned at POLA is the need to not only be resilient but also to be diversified in product and service offerings.

Steven Rothberg, Founding Partner of Mercator International
April 14, 2020

• The crisis is different in its rapidity and volatility compared to previous disruptions. It is affecting all trade lanes of the world whereas the 2008 economic crisis mainly impacted first world trade lanes.
• In 2020 we experienced China ports contracting by 90% beginning the third week of January. This permeated through all transportation networks in the U.S. and Europe.
• When decisions are made not to sail ships, three weeks later these ships don’t show up at the ports [in the U.S.]. And as a result, containers are stacking up at ports.
• We are experiencing 200 fewer sailings from Asia to the U.S. for the entire second quarter. The carriers are scrambling to deal with disruption by combining services, by putting some ships in warm layup (crews intact with ongoing engine maintenance), and others in cold layup (minimal crews and no maintenance). It’s a volatile situation.
• The cancellation of sailings causes importers to redirect containers to another ship, but there are 100s of importers dealing with this, all at the same time.
• The volatility of the vessel network permeates the entire system. Equipment supply issues are becoming more problematic.
• The sourcing of single products to one or two countries (e.g. China) created risks in supply chains that were not properly appreciated until now.
• Container volumes in the U.S. through 2020 will likely be down 15-20% for the year. It will likely take until the 4th quarter for demand to resurface.
• It is not clear if there has been a rearrangement of business from long haul routes (transatlantic and transpacific) to more regional trade. Cancellations in transatlantic trade has occurred but not yet to the extent of transpacific. Ocean lanes in the Latin American region is highly dynamic and complex and is a confusing picture at this time.
• There has been minimal amount of cancellations among Jones Act carriers between the US West coast and Alaska and Hawaii, since a significant amount of this traffic is essential food products.
• Technology can improve communications, such as video conferencing for dozens of supply chain partners to make decisions in real time.
• A key takeaway for supply chain resilience is the need to review sourcing strategies as these can incur heavy risks.