Think Deep
Impacts of the Post-Panamax era.

James I. Newsome, III
President & CEO
SC Ports Authority
- SC Ports Authority is an enterprise agency.
- Operating ports in Charleston & Georgetown, SC.
- Moving 1.6 million TEU per year.
- Container volume grew 10% 2011-2012.
- Non-container volume up 31%.
- Port business employs 260,000+ in South Carolina.
The Large Ship Story

- 80% Of new ship capacity on order Post-Panamax.
- 50% Of new ship capacity by 2015 Post-Panamax.
- 8-9,000 TEU ship will be East Coast workhorse.
- Latest new ship orders of 18,000 TEU.
- Require 50 foot depth harbors at MLW.
Panama Canal Expansion

Current Locks
Vessel Max: 4,800 TEUs

New Locks
Vessel Max: 12,600 TEUs

*Courtesy of Panama Canal Authority
The Emerging U.S. Trade Picture:

- More cargo moving via ports near origin/destination.
- Manufacturing and exports gaining prominence.
- U.S. agriculture products desired globally.
- The new import distribution is e-commerce related.
- Development of infrastructure is critical.
Investment Picture
For A Port Like Charleston

- 10-Year, $1.3 billion CAPEX plan.
- New container terminal adding 50% capacity.
- State investing heavily = $700 million.
  - Entire cost of deepening project.
  - Access road to new terminal.
  - Dual-served ICTF.
- Innovative inland port in Greer, SC (upstate).
- All infrastructure must keep pace.
South Carolina Inland Port
Our port range needs a port at 50'.

- Army Corps authorized 4 USEC ports at 50'.
- Fully-loaded 8,000TEU ship with exports requires 52' channel (48' draft + 4' clearance).
- Charleston handles ships drafting 48' today, but with tidal restriction.
- Not all ports can or will be deepened to 50'.
- Army Corps' normal deepening process is not fast enough given the pace of big ship services.
Will cargo be diverted as a result of Panama Canal expansion?
Cargo diversion as a result of Panama Canal expansion?

**Con:** Why it's not going to happen.

- No significant infrastructure problems currently on USWC.
- West Coast railroads will not easily give up volume.
- Much diversion has already occurred.
- West Coast ports will price aggressively.
- Bayonne Bridge limitation for East Coast deployment.
- All-water transit times are too slow for imports.
- East Coast labor uncertainty--2012.
Cargo diversion as a result of Panama Canal expansion?

**Pro:** Why it's going to happen.

- 70 percent of population East of Mississippi River.
- Increasing low-valued U.S. exports flow more cheaply via USEC.
- Growth of agri trans loading due to container shortages interior.
- Too many large ships on order not to deploy on long haul routes.
- Economics of large ships more attractive on longer ship voyages.
- Logistics is mainly a cost game.
- Carriers can substitute fixed for variable cost economics.
- Expiration of major legacy rail contracts with below-market costs.
- Resurgent interest in shorter haul rail.
Ports Are **Proactive**
Regarding The Environment

- Cranes all-electric.
- Tier 3 Engines on yard machinery.
- Truck replacement program.
- Inland port and dual-served ICTF to encourage rail.
- Keeping pace with national and international regulations.
In Summary:

- Panama Canal will allow larger ships to accommodate trade growth
- Large investment required by ports and states to keep pace
- Not all ports will keep up
- National policy relative to reinvesting in infrastructure is critical
- We are up to the challenge.
Thank you!

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