



THE ICAT LOGISTICS

Bottom Line Newsletter



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Carriers Opt for Panama Land Bridge

SUMMARY

Maersk has announced plans to modify one of its services through the Panama Canal by implementing a "land bridge" across Panama amid transit restrictions caused by the ongoing water shortages.

BACKGROUND

The idea of creating a water passage across the isthmus of Panama dates to the 1500s. After explorer Vasco Nuñez de Balboa realized that a narrow strip of land separated the two oceans, King Charles I of Spain tapped his regional governor to survey a route along the Chagres River. France, however, was the first country to attempt the task. Led by Count Ferdinand de Lesseps, the builder of the Suez Canal in Egypt, the construction team broke ground on a planned sea-level canal in 1880. Plagued by incessant rain, heavy landslides, and yellow fever, his attempt ended in 1888. The United States purchased the French assets in the canal zone for \$40 million in 1902 and, in November 1903, recognized the new Republic of Panama.

Soon afterward, the Hay-Bunau-Varilla Treaty was signed, granting America exclusive and permanent possession of the Panama Canal Zone. The Panama Canal officially opened on August 15, 1914, although the planned grand ceremony was downgraded due to the outbreak of WWI. Completed at over \$350 million, it was the most expensive construction project in U.S. history. Panama took control of the canal from the U.S. in 2000 and has since been widely praised for handling the operation.

The canal handles about 5 percent of maritime trade. Any hiccup in its operation can ripple through the global economy and affect the United States, the origin or destination for much of the canal's traffic.

Under normal conditions, the canal operates with a draft of 15.24 meters. However, authorities confirmed that vessels will be limited to a draft of up to 13.56 meters, with a further reduction to 13.4 meters when necessary. It is understood that these measures will last at least ten more months through late 2024. The Panama Canal Authority (ACP) has also progressively reduced daily transit reservation slots from 36. Last October, it announced that reservation slots would be limited to 24 starting Nov. 8 and 22 on December 1.





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These measures have been implemented to reduce the amount of freshwater used by the locks of the Panama Canal, which lift and lower vessels between the different levels of the canal. The water in the locks comes from Gatun Lake, an artificial freshwater lake that lies 85 ft above sea level. Every time a vessel passes through the locks, 55 million gallons of fresh water is used and released into the sea.

CURRENT STATUS

A.P. Moller-Maersk is rethinking how it approaches the backlogged, drought-stricken Panama Canal with one of its service lines—opting to transport vessels by land instead. The Panama Canal Railway is a 47-mile (76-km) railroad running adjacent to the canal that connects the Atlantic and Pacific oceans. It was already being used by Maersk and other shipowners to temporarily offload container weight from large ships before passing through the waterway to adhere to drought-related draft restrictions. In a customer advisory, Maersk said that all cargo being transported via the Oceania-to-the Americas “OC1” service, which usually traverses the Panama Canal on its voyage, will now bypass the waterway and use a “land bridge” to transport cargo across the roughly 50-mile country via rail. Employing a land bridge in Panama effectively breaks the OC1 service into two separate legs. Vessels transiting on the Pacific side of the service will turn at Balboa, Panama, dropping off cargo heading for Latin America and North America and picking up cargo heading for Australia and New Zealand.

The Denmark-based shipping and logistics titan said in the advisory that the decision was made to ensure cargo “continues to move with as few delays as possible.”

IMPACT

It is a novel approach to addressing some of the delays at the Panama Canal. Today, the Panama Canal reports 40 booked vessels and 20 without reservations waiting for transit at both terminuses. The wait time for vessels without reservations is between approximately 9 and 10 days. Transferring cargo by rail is not without its risks, however, and there is potential for increased claims for damage to cargo when loaded onto the railway and subsequently reloaded onto the vessel. A significant number of cargo claims arise from the loading and discharging of cargo, and the increased handling of the cargo increases the risks of damage to the cargo. There is also room for delayed delivery where there are delays or issues with the railway line.





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RESOURCES:

- [Panama Canal: History, Definition, & Canal Zone](#) (HISTORY)
- [What Panama's Worst Drought Means for Its Canal's Future](#) (Panama Cyber News)
- [Drought at the Panama Canal](#) (Clyde & Co)
- [Maersk to Transport Goods via 'Land Bridge'](#) (Dry Bulk)
- [Maersk to Bypass Panama Canal via 'Land Bridge'](#) (Sourcing Journal)
- [Maersk to Use Rail for Some Vessels to Bypass Panama Canal Amid Drought](#) (Reuters)
- [Maersk Switches Liner Service from Panama Canal to Land Bridge](#) (Seatrade Maritime)
- [Maersk to Send Boxes Overland to Avoid Panama Canal Delays](#) (Maritime Exclusive)

