The new Suez Canal

Alessandro PANARO
SRM, Head of Maritime and Mediterranean Economy Dept.

Naples, October 15th 2015
SRM Maritime Observatory

A new observatory: a permanent analysis on ports and shipping

www.srm-maritimeconomy.com
Agenda

- Italy and Egypt’s maritime and logistics indicators
- The new Suez Canal
- The routes of the Megaships and their economic impacts
- Conclusions
### Italy and Egypt’s maritime indicators: LSCI

- **The Liner Shipping Connectivity Index (LSCI)** of UNCTAD, measures competitiveness in the maritime system based on the network and the quality of the container liner services offered by ports.

- **Egypt** in 2015 reached the 19\(^{th}\) position (out of 157 countries)

- **Italy** is in the 17\(^{th}\) position and lost 3 position in comparison with 2014

<table>
<thead>
<tr>
<th>Country</th>
<th>LSCI</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>97.79</td>
<td>6° (+2)</td>
</tr>
<tr>
<td>Netherlands</td>
<td>96.33</td>
<td>8° (-1)</td>
</tr>
<tr>
<td>Morocco</td>
<td>68.28</td>
<td>16° (-)</td>
</tr>
<tr>
<td>Italy</td>
<td>67.43</td>
<td>17° (-3)</td>
</tr>
<tr>
<td>Egypt</td>
<td>61.45</td>
<td>19° (-1)</td>
</tr>
<tr>
<td>Turkey</td>
<td>52.00</td>
<td>24° (-2)</td>
</tr>
</tbody>
</table>


Italy and Egypt’s maritime indicators: LSCI

- Egypt increased its LSCI value by 20 point from 2004 to 2015, this made it one of the middle eastern countries with the best performance.

- Italy’s index growth has been slower (+10 b.p. on 2004)

LSCI Trends 2004-2015

Source: SRM on UNCTAD
Italy and Egypt’s maritime indicators: LPI

- The LPI is a World Bank index that measures the logistics competitiveness of 160 countries in the world.

Between 2007 and 2014 Egypt gained 35 positions in the LPI ranking, reaching the 62nd place.

Italy holds the 20th position.
Agenda

- Italy and Egypt’s maritime and logistics indicators
- The new Suez Canal
- The routes of the Megaships and their economic impacts
- Conclusions
Transit goods account for 8-10% of the entire globe. In 2014, 822 million tonnes of goods passed through the Canal.

Over the same period, north-south container trade volumes grew by 187% while the south-north ones grew by 220%

17,000 ships passed through the canal

Between 2000 and 2014 the Canal’s traffic trends recorded a 120% increase in transit goods
The traffic by ship types in the Suez Canal

- Containerships are the most common type of vessel that passes through the Suez Canal. Measured in numbers of ships, containerships constitute about 36% of all the vessels and transport 50% of the goods.

- The types of vessels which will take greater advantage from the new Canal will be containerships; thus the role of Port Said is fundamental, where considerable infrastructural projects are currently ongoing.

![Traffic by ship type chart](Source: Drewry 2015)
Main cargo flows Southbound through the Suez Canal. Var. % 2001-2014

Source: SRM on Suez Canal Authority, 2015
Main cargo flows Northbound through the Suez canal. Var. % 2001-2014

Source: SRM on Suez Canal Authority, 2015
The new Suez Canal

- The building of the New Canal of Suez allows a reduction in transit times of the intercontinental east-west connection between Asia, Middle East, Europe and the east coast of the United States.

- **The New Suez Canal’s Main numbers:**
  - An average reduction in travel times estimated at **12 hours per transit** in both directions;
  - The new Canal will increase its daily transit capacity to **97 ships** (from the previous average of 49);
  - **No limits to megaships.**
  - Along with the new Canal, the Egyptian Government developed the “**Suez Canal Corridor Area Project**”, an enormous investment plan aimed at making the Canal region a center of economic development, thanks to the realization of research centers, industrial hubs, and logistics areas.
  - These issues are particularly considerable for Northern Italy’s gateway ports which are the target of a large share of traffic from Suez. This, in fact, accounts for **51%** of the containers handled in **Genoa** and **47%** of those which are in transit from the port of **La Spezia**.
Agenda

- Italy and Egypt’s maritime and logistics indicators
- The new Suez Canal
- The routes of the Megaships and their economic impacts
- Conclusions
Two big phenomena in the maritime economy:
1. Increasing ship size

New Panama Canal’s limit
13,200 TEU

New Suez Canal
The orderbook for 2018

+77%

18,000-21,000 TEU

2015: 36
2018: 670,972

+21%

13,300-17,999 TEU

2015: 83
2018: 1,591,598

+9%

10,000-13,299 TEU

2015: 1,602,973
2018: 2,142,188

1,000-7,499 TEU

2015: 181
2018: 2,650,536

Source: SRM on Alphaliner data

Teu
Ships
Average growth (teu terms)
2. The big alliances among carriers

- The big alliances create economies of scale—reducing costs, improving profitability, services and environment.

- There is a relevant interest of big alliances for routes through Suez Canal.

**MARKET CONCENTRATION IN TWO ROUTES THAT INVOLVE SUEZ**

The big alliances «2M» and «O3» are mostly active on the route Asia-Med.
An example of the New Suez Canal impact: route benefits

The graph shows 4 examples of routes and the impact of the new Suez Canal

Case studies on a panel of strings

<table>
<thead>
<tr>
<th>Trade route</th>
<th>Distance (Nautical miles)</th>
<th>Suez Days of sailing</th>
<th>Panama Days of sailing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shanghai-Rotterdam</td>
<td>10,525</td>
<td>29</td>
<td>37</td>
</tr>
<tr>
<td>Hong Kong-New York</td>
<td>11,593</td>
<td>32</td>
<td>31</td>
</tr>
<tr>
<td>Shanghai-New York</td>
<td>12,370</td>
<td>34</td>
<td>30</td>
</tr>
<tr>
<td>Shanghai-Houston</td>
<td>13,932</td>
<td>39</td>
<td>28</td>
</tr>
</tbody>
</table>

- Route where Suez is already more convenient
- Route where Suez will be much more potentially convenient than Panama
- Route where Suez will be more potentially convenient than Panama
- Route where there are no significant effects
SRM has estimated that using the Suez route, any shipping company may have an average saving of 5-10% on total operating costs (depending on routes and distances).

In terms of any ship, the time reduction of 12 hours, due to New Suez Canal, would lead to an estimated savings of:

- 10,499 € for each ship
- 12,004 € for each containership

If we consider that, in 2014, 17,148 ships passed the Canal, of which 6,129 were containerships:

Total Average expected saving will be: 180 mln €

- South East Asia € 61 million
- Arabian Gulf € 48.4 million
- North West Europe, U.K. € 49.4 million

If we consider that, in 2014, 17,148 ships passed the Canal, of which 6,129 were containerships:
The economic impact of the new Suez Canal on Italian ports

- A case study on the trade route Far East-US East Coast (7.4 million TEU)

\[
\begin{align*}
51\% & \text{ pass through Panama Canal} \\
& 3.8 \text{ mln TEU} \\
49\% & \text{ pass through Suez Canal} \\
& 3.6 \text{ mln TEU}
\end{align*}
\]

If the New Suez Canal catches 25\% of the total traffic through Panama

- An additional 1 million TEU will sail the Mediterranean via Suez

- Italy holds a market share of 18\% of the Transhipment traffic in Med

- Italy may catch an **additional 171 thousand TEU**

**Opportunity for Italy**
Agenda

- Italy and Egypt’s maritime and logistics indicators
- The new Suez Canal
- The routes of the Megaships and their economic impacts
- Conclusions
Conclusions

The new Suez Canal will have a major impact on shipping and trade, representing an opportunity to be seized by trade business and shipping companies.

All this will increase the centrality of the Mediterranean. This is why major port investments are being implemented in various Mediterranean ports (for example: Tanger Med, Piraeus, Algeciras, Valencia).

The circulating fleet is also likely to increase with the growing presence of megaships and big players; an increasing number of TEUs transported by megaships are expected to pass through the Suez Canal. At the moment 20,000 TEU ships are sailing on many routes of interest for Italy as Asia-Med, Asia-Northern Europe and Gulf-Med.

Megaships and investments of competitor ports must lead Italian ports, to invest in infrastructure, technology and logistics to avoid losing market shares, and above all to miss the new opportunities that will arise from the new Suez Canal.
Thanks for your attention

Email: a.panaro@sr-m.it

Websites: srm-maritimeeconomy.com    srm-med.com