

Priority logistics developments in Panama

CAF, the Latin American Development Bank, designed a plan for the development of the logistics sector in Panama. The plan is called “*Hoja de Ruta Prioritaria de desarrollo logístico de Panamá*”.

The document presents a plan to develop Panama as a regional, and in the longer term as a global, hub. As part of this plan CAF defined 8 strategic priority challenges, subdivided into 4 main objectives, which should be solved by 2019. Hence, these 8 challenges determine Panama’s investments in the upcoming years. We will briefly outline the 8 challenges and indicate which specific projects CAF defined to tackle these challenges.

Panama’s 8 logistic challenges

Institutional framework and education



Challenge 1: Encompassing strategic consensus and modernizing the institutional and regulatory framework.

This first challenge is general, comprehensive and aims to facilitate development in the logistics sector. To tackle this first challenge, the government determined three action points. First, Panama needs a medium and long-term strategic plan. Second, this plan has to emphasize the important role the private sector has in realizing the logistics ambitions of the country. Third, changes in their institutional and regulatory framework are needed to facilitate developments in the logistics sector.

Identified projects:

- Develop a medium and long-term (2030) strategic logistics plan, start foreseen end of October 2016. Plan is financed by IDB.
- Strengthen the logistics cabinet and consolidate the public-private institutionalization.
- Improving the regulatory framework, which includes adapting laws and modernizing the administrative system (such as new law on modernisation of customs to allow 24/7 service, cutting red-tape and exchange of information within institutions).

Challenge 2: Strengthen Human Resources

Panama lacks human resources at several levels within the logistic sector. There is a need within both the public and private sector for qualified employees. Therefore training is needed on the academic, technical and operational level. The government works on the development of these educational programs.

Identified projects:

- Design a strategic plan to enlarge human resources at all levels, execution foreseen for 2017.

- Participate in a regional training program, in which the country can exchange experience and best practices with countries in the region. The preparation for this regional program already started.

Integrated strategy with global reach to improve competitiveness in the central logistics subsystem



Challenge 3: Competitiveness of the port system

The national port system has a central position in the logistics sector in Panama. The current port system in use is however structured in the year 2000, with assistance of Georgia Tech University, mainly focussed on transshipment. The government therefor plans to establish an “Integrated Port System 2.0”. There is a need for a new competitive framework, new ports and the port management system should be improved. The implementation of this new management system is scheduled for 2017. In addition investments in new ports are scheduled. These include investments in the Port of Corozal, RoRo terminal, improved auxiliary maritime industries, and multipurpose ports at the pacific coast (Armuelles and Vacamonte).

Furthermore, Panama would like to be a leader in the regional program on short-sea shipping. The country therefore needs to establish itself as key strategic hinterland hub and incentivize its entrepreneurial skills.

Projects:

- Port of Corozal: One of the biggest developments is the new port of Corozal by the Panama Canal Authority (ACP). Total capacity 5 mln TEU, total investment expected \$1 billion. Four companies were prequalified earlier this year to participate in the final tender: the Dutch APM Terminals B.V., France’s Terminal Link, Singapore-based PSA International Pte., Ltd and Terminal Investment Limited, S.A. (part of MSC). The Corozal project will be developed in two stages; first they will construct a 1350 meter dock, a container park, office building and warehouses (3mln TEU), then they will construct a second dock of 731 meters (2mln TEU). The port will be located in the entrance of the pacific side of the Canal. This will result into technical challenges – such as the coordination between ships passing through the canal and ships entering and leaving the docks - for which Dutch expertise can provide solutions.
- RoRo port and Logistics Park: The Panama Canal Authority (ACP) has plans to release two tenders for the construction of a Logistics Park and RoRo port on the Pacific side. The ACP will invest in the dredging necessary for the construction of the RoRo port. Both the Logistics Park and the RoRo port will be located on an area of 900ha prepared for development by the ACP near the new Pacific Locks, west of the Panama Canal.
- Port of Armuelles: The Maritime Authority of Panama (AMP) and the Latin American Development Bank CAF investigate possibilities to redevelop the Port of Armuelles in Chiriqui. The port should handle agriculture output of the Chiriqui region. Del Monte recently announced investment of \$120 million in production of bananas in the Chiriqui region.

- Become a leader in the regional program on short-distance maritime transport. The project, referred to as TMCD (Transporte Marítimo de Corta Distancia), aims to make short-distance transport over water more attractive compared to other ways of transport, such as land.

Challenge 4: Development of value added logistics services in the maritime sector and the interoceanic zone

Panama understands it has to invest in value added logistics services in order to benefit from its privileged geographic location and the Panama Canal and keep attracting cargo to its ports. The focus will therefore be to improve value added logistics in the interoceanic zone.

Projects:

- The ACP issued a master plan for greenfield development of 1200 ha at the west bank of the Panama Canal. This land is owned by ACP. This plan is developed by the Dutch Antea Group and Stig Delta. The plans foresee investments in logistics parks, ports, railways and road connections, ensuring optimum commercial use of the area.
- Logistics cabinet asked for a master plan for the Interoceanic zone which is being developed by Louis Berger, a firm from the United States. No information on progress or content.
- Structure and further develop value added logistics clusters (also within the interoceanic zone).
- Develop an urban logistics strategy.
- Improve the urban distribution platform (which includes the search for synergies with other urban developments).

Challenge 5: Air cargo and airport logistics

Tocumen has a current capacity of 12 mln passengers a year. A second passenger terminal is being constructed and will, by 2018, enlarge the capacity to 24 mln passengers. COPA airlines (flying from Tocumen) will expand its fleet with 61 Boeings, which means that in 2018 Copa will operate 85% from the flight departing the new terminal. More and more airlines find Tocumen as their main destination in the region (including Emirates that will start the world's longest connection between Panama and Dubai in 2016). KLM has a daily flight on Tocumen. Dutch firm Van der Lande provides the baggage handling systems for the new airport.

In addition Panama started to develop itself as air cargo and logistics hub. To accomplish this, investments will be made in an air cargo centre a free trade zone, road connections and the development of the area. Furthermore the competitiveness of processes, services and marketing will be improved.

Tocumen will invest in the following projects:

- A new cargo terminal with value added logistic services.
- A free zone (with support of Dutch consultant Investment Consulting Associates).
- Logistic centres such as the airport city.
- Third runway and terminal. The third runway is foreseen to be ready between 2022 and 2024.

Challenge 6: Technological integration of the inter-oceanic corridor

The majority of logistics activities in Panama are concentrated around the interoceanic corridor. Information exchange between the different organizations active in this zone, for example customs, free trade zones and airports, is however not coordinated.

The government wants to integrate these information systems by creating a technological highway (Corredor Tecnológico): Information should flow via technological platforms which contribute to efficiency and the traceability of documents and goods. To accomplish this, ports, highways, logistic platforms, free trade zones, customs and other parties in the chain should be equipped with new technologies. Part of this goal is to develop from a 'Port Community' into a 'Logistic Community' and to have paperless customs.

Projects:

- Integrating the information systems of parties in the logistics chain.
- Ensure the traceability of documents and goods. Panama has already shown interest in developing a Port Community similar to Portbase, the system used in Dutch harbours.
NOTE: the embassy introduced Portbase to Panama. In November a delegation of Panamanian authorities will visit the Netherlands to identify how Portbase could assist Panama in creating this platform.
- Panamanian Customs is also investing in IT support for its processes. It will implement an overhaul of its current 'Krimson' software system.

Spread the effects of logistical developments to the entire country and integrate other strategic sectors and regions



Challenge 7: Logistic development in the western region

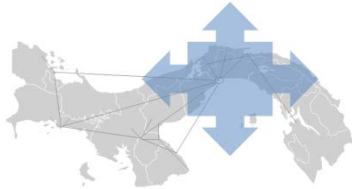
Panama wants to integrate the western region of the country in its logistics system. The western region connects Panama to the rest of Central America via the Mesoamerican corridor. Hence improving logistics in this part of the country encourages trade with Central America. The government wants to boost logistics related to inter-oceanic flows (port of Armuelles), border traffics (Paso de Canoas) and agriculture logistics.

Projects:

- Port of Armuelles (see challenge 3).
- Improve border traffics (Paso de Canoas) between Costa Rica and Panama, Panama wants to invest in complementary logistics services related to border traffic and they want to develop a binational perspective with Costa Rica.
- Develop service centres for road transport on locations near the Mesoamerican corridor.

- Agro-logistics is developing as an interesting sub-sector, in which Panama would like to make better use of the flow of perishables trade through the Canal. Panama developed Cold Chain infrastructure to facilitate agro logistics. The government struggles to operationalise the infrastructure. But is dedicated to make the project a success.

Improving the framework of logistics foreign trade to foster the hub strategy and the basic sectors of the national economy



Challenge 8: Integrated customs system

Panama wants to introduce a comprehensive and competitive customs service that facilitates (international) trade. The government plans to invest in operator training, international cooperation, management of transport terminals, control and monitoring of goods and the improvement of information technology (paperless customs). Part of this challenge was also the implementation of the Authorised Economic Operator (AEO) certificate which Panama realized in May 2016. Companies that are certified as AEOs are able to reduce paperwork and are given priority at customs offices.

Projects:

- Appoint a group to boost and take into effect the strategic plan of the national customs authority.
- Strategic reorientation of the Colon free trade zone, which includes a redefinition of the business model.

NOTE: Panama and the Netherlands are in process of signing a bilateral customs treaty which foresees in providing Technical Assistance.

Other planned and ongoing projects and developments

LNG

Panama wants to become the regional distribution hub of LNG. The expansion of the Canal allows for more and bigger LNG vessels to facilitate LNG trade between US South Coast and Asia. Panama is developing three LNG-Fired Power Plants, and LNG is increasingly being used as fuel for ships and road transport. VOPAK and Shell, supported by the Embassy, are actively following developments.

Construction of the fourth bridge

The fourth bridge over the canal on the pacific sight is a project of a 6,5 km highway with six lanes. An evaluation committee has pre-qualified six companies who are planning to bid on the design and construction of the fourth bridge over the Panama Canal. The construction of the bridge will be

tendered in January 2017. The work is estimated to cost more than \$1 billion and will include tracks for the third line of the Panama Metro. No Dutch companies have shown interest in this project.

Construction of metro lines

A metro network of eight lines in total is planned to be finished in 2040. Including the first line that is already in operation and the second line that is being constructed. President Varela announced an investment of 661 million in total for the upcoming year for the existing and new metro lines (406 million in line 2, 107 million in line 3 and 146 million for improvement and extension of line 1). The third metro line will have a total length of 26,7 km, along which 14 stations will be distributed. The project will use a monorail system and is financed by the government of Japan (2.6 billion in total). The tender of the construction work will be published in May 2017.