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## Panama Canal at the crossroads

By Aaron J. Gellman

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When the Panama Canal was transferred from the United States to Panama six years ago, some predicted failure. They said that no one but Americans could operate it. That was then.

Today, the canal is unquestionably well run by Panama. Shippers, retail chains, the maritime community, traders and governments agree: The canal is managed efficiently, reliably and safely by the Panama Canal Authority, the quasi-governmental group that runs the canal. On Oct. 22, a national referendum in Panama will take place that will determine the Panama Canal's future.

The key in shipping today is reliability. To a global supply chain manager -- the fancy name for those who get product X from its manufacturing point to the shelves at your local store -- the important thing is for a product to arrive in port when scheduled. If there are a million televisions heading to the East Coast for a big sale, they have to get to where they are going reliably, meaning on time. And running the canal reliably has been the strength -- the hallmark -- of those who manage it.

Today, the Panama Canal is at a crossroads. The "All-Water Route" -- the route from the East Coast of the United States through the canal to Asia and back -- is growing in double digits annually. In fact, total growth of container traffic through the canal is running at more than 25 percent annually and today represents half of canal tonnage. Very good news for the canal authority. Yet, as with all businesses, the authority must show its customers and stakeholders that the canal can still grow, handle the market demand and increase capacity to avoid delays, and thus maintain reliability.

The canal authority has been doing everything it can to increase capacity through an effective series of innovations, but growth and demand models show that the canal could run out of capacity by 2012. Additionally, the canal is currently unable to serve a key market: ships too wide to transit the present canal. When the canal was completed so brilliantly by Teddy Roosevelt and George Washington Goethals, they made the locks wider than any ships of that day.

The expansion project -- essentially building another lane of traffic along the canal -- will entail the construction of new, wider, three-step lock complexes at the Atlantic and Pacific ends of the canal that will double capacity and allow additional traffic. The demand for an expanded new lane is there and the canal authority has done enough

analyses and planning to do it right. It has conducted more than 100 studies evaluating the design of the new locks, the market, the demand, environmental and social aspects, cost and financing.

The benefits to Panama and the world are numerous. First and foremost, an expansion will prevent clogging of one of the world's most important trade arteries. The canal no longer represents a trade or transportation option; rather, it is an integral link in a worldwide network central to the global commercial system. In this new system, if one element has problems the entire system suffers. The canal connects major economies of the world, primarily along trade routes serving the United States. Moreover, expansion will greatly bolster the Panamanian economy both during and after the expansion. And it will allow "All-Water Route" traffic to grow, enhancing service at the canal and helping goods get to and from markets faster.

The simplicity of the project adds to its appeal. Expansion was started in the late 1930s, but was aborted because of World War II. However, some of the work has already been accomplished. Basically, the Panama Canal Authority now needs to dig a new, large "ditch" on the Pacific side that will parallel the current canal for 3.6 miles and then connect it into the current canal about midway. The engineers at the canal are experts at dredging and include some of the world's premier specialists in this field.

The other major component is building two new lock complexes. Again, a demanding task, but the canal's designs for these locks use some of the most sophisticated technology in the world, including water-savings basins, which will for the first time reuse millions of gallons of fresh water used in each lockage.

The decision now rests with the people of Panama who will vote on expansion Oct. 22. Many have expressed support for the project -- including Panamanians, canal customers, many in the maritime industries and in Panama's and the world's business communities. If it is approved by Panamanian voters -- and I firmly believe this project will be good for the Panamanian people -- we can be confident that it will be done with the utmost of professionalism. Our friends and allies to the south will continue to make us proud of our earlier decision and of the performance of this great and vital Panamanian asset.

*Aaron J. Gellman is a professor at Northwestern University's Transportation Center and a member of the Panama Canal Advisory Board.*