

**Technip** Build a career with a global leader in engineering and construction



[Click Here](#)

**chron.com**

HOME NEWS SPORTS BUSINESS ENTERTAINMENT LIFE TRAVEL BLOGS JOBS REAL ESTATE CARS SHOPPING

SEARCH  IN Chron.com  [findajob](#)

DISCUSS

Discuss this in the Business Forum

MORE BUSINESS

- Workweeks no longer limited to 40 hours
- Single-digit salary is new status symbol
- As banks build, robbers gain more options
- More focus being paid to putting teens on right career path
- Many seniors pay when they hit Medicare drug coverage gap
- Many want to keep on working after retirement
- Florida offers tax holiday for storm gear

SEARCH RESULTS

- (PZ) Port Of Houston Authority Delivers Praise For Panama Canal Expansion
- Panama's President Touts Canal Expansion
- Containers in Houston marked sea change in shipping
- Panama's President to Unveil Canal Plan
- Panama's President to Unveil Canal Plan
- Two steamship lines will operate at Bayport terminal
- Plans for Panama Canal worry lakeside residents

## Business

[EMAIL THIS STORY](#) [PRINTER FRIENDLY FORMAT](#)

A container ship passes through the Miraflores Locks in Panama City, Panama, early this week. Plans to build a third set of locks would allow giant ships to use the canal and increase the flow of goods to Houston.

ARNULFO FRANCO: AP



▶ PLAY | ◀ BACK | NEXT ▶

April 29, 2006, 12:26AM SHIPPING

### Super-sizing the canal

Panama plans to add a third set of locks so waterway can handle much bigger vessels

By LUCY CONGER  
Houston Chronicle Foreign Service

The plan unveiled this week to expand the Panama Canal to accommodate super-size ships would increase the flow of goods to Houston and other ports along the Gulf Coast and East Coast, trade experts say.

Panama's president, Martín Torrijos, introduced the \$5.2 billion master plan for a third set of locks. They would be large enough to handle the giant ships increasingly used to move containers from China to the United States.

The plan calls for the third set of locks to begin operating in 2015 — the year after the centennial year of the canal, which today operates at near-capacity — with locks large enough to handle "post-Panamax" ships, able to carry more than 9,000 standard-size cargo containers.

"I have no doubt this will make Panama the most important logistics and transshipment hub of the Americas and transform the way goods are moved," the canal's chief executive, Alberto Alemán Zubieta, said this week during a conference call.

And it's seen as good news for the Port of Houston.

"A new canal with new dimensions will absolutely put Houston in a position to better compete with East Coast ports" such as Savannah, Ga., Charleston, S.C., and New York, said Tom Kornegay, executive director of the Port of Houston Authority.

**Technip**

Build a career with a global leader in engineering and construction

[Click Here](#)

RESOURCES

**GRAPHIC:** Bigger vessel, larger locks

SPONSORED LINKS

[Houston Business Lawyers](#)

Post your case; approved lawyers respond; you choose the lawyer. Fast & Free!  
[www.Casepost.COM](http://www.Casepost.COM)

[Hot Stock Picks](#)

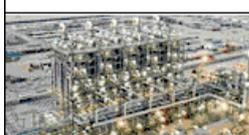
Get Stock Picks and Reports Now, From the Top Performing Newsletter!  
[www.FredHager.com](http://www.FredHager.com)

BUY A CHRONLINK

**Technip**



Engineering, technologies, and construction services for oil and gas, petrochemical, and other industries.

[Click Here](#)

Reaching that goal will require meeting a series of challenges.

The spending will have to be authorized by a public referendum. At the moment, polls suggest there's strong support, but its critics say the project is too big a financial risk for this small country.

Influential foes say building a megaport to ship containers across the country for reloading on vessels on the eastern coast would cost far less and serve the same market as a set of locks that would be about 180 feet wide, more than half again as big as the current ones.

### **A lot to fret over**

As with the plans for any huge project, there's the danger that the demand projections will not pan out, or the planners have underestimated the cost or time needed to build it.

The project's cost is huge when compared with the small country's economy.

Maritime professionals expressed confidence in the professionalism of the canal staff. But finding skilled labor in Panama is a problem, and the government has begun to address the issue by creating a job-training program to prepare 7,000 Panamanians for the construction work.

Keeping costs in line is another concern.

If the lock project performs like other recent transportation projects and the price tag is "neither more nor less accurate than cost estimates for other large construction projects, then we may predict the risk of cost overrun will be 80 to 90 percent and an expected cost overrun of 30 to 40 percent in constant prices," said Bent Flyvbjerg, professor of planning and a specialist in construction costs at Aalborg University in Denmark.

### **Higher tolls**

To pay for the improvements, the canal authority has predicted that tolls will double over the next 20 years. Shipping experts say the money saved on a direct water route would more than justify the higher fees.

For the giant ships, the alternatives for getting cargo from Asia to the eastern United States are moving it by ship to the West Coast and then by rail across the U.S., or heading east through the Suez Canal.

"Once the Panama Canal is able to handle post-Panamax vessels, my opinion is shipping lines will see this as the uncorking of the bottleneck" and will choose that route, said Robert West, managing director of global trade and transportation at Global Insight, a Boston-based forecasting firm. "There is going to be enough cargo for everyone."

Global Insight estimates the worldwide container trade is growing 8.2 percent a year.

West Coast port managers agree.

Don Snyder, director of trade and maritime services for the Port of Long Beach, said he is sure that all Gulf Coast and East Coast ports would see higher volumes of inbound trade from the canal expansion project.

Houston shippers will have an opportunity to learn the details firsthand in May when Alemán Zubieta visits the city to explain the plan.

"We'll read through it, develop questions, and when he comes to talk about it, we'll have a good discussion," Kornegay said.

### **Indications of support**

Among Panamanians, support appears strong. In a survey released this week, 70 percent of those asked favored the project, up from 56 percent in a survey earlier in April.

There is opposition. Critics question the wisdom of this small country taking on the cost of the project with a price tag equal to a good percentage of Panama's GDP, which stood at \$13.7 billion in 2004, according to the World Bank.

"It's a high-risk investment because no one can guarantee infrastructure projects nor the flows of transits," said Fernando

Manfredo, a leading opponent and the first Panamanian administrator of the canal.

Former President Jorge Illueca and Manfredo are part of a group proposing an alternative route for containers: a major port at the Pacific entrance to the canal, where containers from ships too big for the canal would be moved across the isthmus on rail cars or smaller boats.

They also argue that the funds would be better used on better schools, health care, credit for small businesses and other services in this country where 40 percent of the population lives in poverty.

"The argument of alternative use of canal resources is very, very strong," said Guillermo Chapman, a former finance minister and president of Indesa, an economic consulting firm in Panama City.

### **Paying for it all**

The canal authority plans to spend roughly \$200 million per year from its own funds on the construction project, which will be largely funded by borrowing. During this period, Alemán Zubieta predicted, the canal will continue to provide the federal government more than \$500 million annually.

Environmentalists also will track the project closely, because a fragile rain forest rich in biodiversity flanks the Panama Canal and its waterway of lakes. The project design includes water-saving basins parallel to the locks that allow reuse of 60 percent of the water used in the locks to raise and lower ships.

While tolls will rise sharply, shipping experts say the savings should justify this cost.

"The economies of scale for larger ships are such that the average toll can be spread out," Peter Drakos, president of the Connecticut Maritime Association, the world's biggest international shipping trade group.

Maritime industry traders expressed optimism about the project's feasibility.

Asked whether the project can be built successfully, Roberto Boyd, the largest shipping agent in Panama, said, "I have no doubts. This canal was built 90 years ago, and the technology is pretty much the same — water flowing by gravity into locks — so they're not sending a man to the moon."

#### **SPONSORED LINKS**

##### **Houston Business Lawyers**

Post your case; approved lawyers respond; you choose the lawyer. Fast & Free!  
[www.Casepost.COM](http://www.Casepost.COM)

##### **Hot Stock Picks**

Get Stock Picks and Reports Now, From the Top Performing Newsletter!  
[www.FredHager.com](http://www.FredHager.com)

##### **Tips for Fixing Hair Loss**

See how I did it. Before/After pics. Men/women. 92% success.  
[RestorationHair.com](http://RestorationHair.com)

[click here to buy chronlinks](#)

**Subscribe to the paper for less than thirty cents a day!**



[EMAIL THIS STORY](#)



[PRINTER FRIENDLY FORMAT](#)