

Enlargement of Panama Canal on Course

Zealous approach a lesson for South Africa

The Panama Canal - the lifeblood of the country's economy – will be enlarged. At present, two parallel sets of locks at three points convey about 40 ships a day through the canal, of which the highest point is the Gatun Lake, nearly 26 metres above sea level.

The maximum length, beam and draught currently permissible are 289 metres, 32 metres, and 11 metres respectively, and vessels that are designed to transit the canal fully laden are known in the industry as *Panamaxes*.

The proposal to enlarge the canal entails the construction of a third set of locks that will enable vessels 420 metres long and with a beam of 53 metres to pass through the Canal.

The cost of the new lock system could exceed \$5.25 billion, an amount that the Canal Authority expects to recover by hiking the transit tariffs gradually over twenty years. Like the plan to build soccer stadiums in South Africa, the proposal has drawn criticism from those who believe the plight of the poor in Panama should be addressed first, although protagonists of the enlarged locks point out that a large percentage of the substantial additional income, generated by the canal for decades hence, will be ploughed into social services - unlike the undetermined income from those soccer stadiums.

While the present canal has restrictive dimensions, some of the largest ships will be able to transit when the new locks come into service in 2014, a century after the present canal was completed.

Since one such vessel is the recently commissioned **Emma Maersk** - the largest containership - it is not surprising that Maersk have a string of these ships on order, opening the possibility that the Danish company might use such boxboats on a circumnavigation service. Chinese and French operators are following suit, although at present their largest vessel will not quite match "*Enormous Emma*".

If large tankers and Capesize bulk carriers - around 300 metres in length but laden to only about 16 metres - will be able to transit the Canal, trade patterns will change. Venezuelan or Texan oil can be exported more readily via the enlarged canal to the Far East with a saving to Japan of around 5500 nautical miles when compared to the Suez route.

Even American grain - hitherto transported via Panama in Panamaxes or in the smaller Handysize bulkers - might move from the US Gulf to the east in Capesizes, provided the discharge ports can handle the larger vessels.

The Panamanian approach has been as refreshing as it has been ambitious and inclusive. Their agenda encompasses more than an enlarged canal to swell the national coffers; it is not simply to place Panama in the maritime limelight. Beyond the canal, they envisage a thriving cluster of growing maritime ancillary services such as container trans-shipment hubs, ships' agencies, ship repair yards, bunkering and chandling, each of which contributes greatly to the economy of the country.

They also foresee local smallholders producing fruit and vegetables to supply the increased shipping volumes, taxi drivers benefiting from moving more crewmembers, and hoteliers seeing a rise in room occupancy rates.

Since more ships fly the Panamanian flag than any other, and in their quest to make more of their countrymen employable across the maritime spectrum - from galley hands to masters, and from

customs clerks to shipowners - the Panamanians have established a maritime university that they hope will become an international centre of learning and maritime research.

Work should begin early next year, a task that itself is a valuable job-generator. Certainly, modern technology will make the work much easier than when hordes of workers began to drain swamps, dredge channels, excavate the lock-sites and pour thousands of tons of concrete for the present canal. Medical advances have controlled malaria and dysentery that took a dreadful toll on the workforce in those early years.

Unless some containership operators introduce round-the-world services that include a southern African hub, local ports are unlikely to be affected by the Panamanian initiative. Bulkiers will continue to carry grain from La Plata or Brazilian minerals to the east via the Cape - a slightly shorter route than via Panama where canal tariffs apply - while repairers and salvors will benefit from a lame duck or two among their numbers.

However, South Africans should emulate the Panamanians in respect of their zealot-like hearts-and-minds campaign at home and abroad to advance their shipping sector. Although the country's economy has a broader base than Panama's single focus, shipping that moves 90 percent of our trade is no less important to South Africa. While maritime awareness is a vital ingredient in understanding our economy, it is equally important to promote the local maritime cluster that has lost much of its lustre in recent years.

An unfriendly tax regime, labour legislation and practices that clash with the urgency of shipping, and inefficiency in some sectors have driven shipowners elsewhere. Local ship-spotters will confirm that South Africa's docklands are quieter these days as bunker ships by-pass ports where supplies are occasionally irregular and costly, or where concessions for bunker callers are denied.

We need someone to champion the revival of the vital South African shipping cluster and the restoration of its enviable reputation.