Panama Canal visions

In January, I had the opportunity to visit the Panama Canal. For anyone in the transportation industry, this is quite a treat. Although history and engineering texts can describe what went into the construction, only by seeing it can one comprehend the magnitude of the project.

During the trip I met with many of those responsible for running the canal. From the highest level, starting with Canal Administrator Alberto Aleman Zubieta down, this organization is excited by the moment history has presented to them.

As the canal handover approached last December, there was concern that the Panamanians were incapable of running the canal. This issue soon passed. Most people working there have been there for many years, and they continue to perform their jobs without any change. The staff is educated and professional.

The changes at the time of the handover on Dec. 31, 1999, were not totally comprehensive. The Panama Canal Commission, an agency of the United States government, became the Panama Canal Authority, an autonomous branch of the Panamanian government.

Aleman considers the canal a business. In the past, it was administered almost like a utility. Prices were regulated to break even after all expenses and a slight return were recouped. For the next two years, tolls will not be increased and the authority is looking for new sources of income. These initiatives include ideas that are traditional (expand canal capacity and become a logistics hub), enlightened (electrical power generation and provision of fresh water services), and creative (become a tourist center). The political and economic goal often cited by authority personnel is to become the Singapore of the Western Hemisphere.

During my visit I had a familiar feeling that took me a day or two to place. I realized that the emergence of the authority was strikingly similar to what happened 20 years ago with the railroad industry after the passage of deregulation. Both the railroads and the Panama Canal represent the leading engineering products of their century. The personnel leading the construction were either in the U.S. military, or had been part of it. Both were closely regulated by the U.S. government. In fact, the Panama Canal had once been under the supervision of the Interstate Commerce Commissioner. It seemed that many of the Panama Canal Authority’s business processes, including the actual forms used, mirrored the tools of the railroads during the 1970s.

From that base the authority is hoping to rapidly transform its operations and procedures. All business processes are being reviewed. Information technology is being upgraded. Marketing is being rigorously expanded. Customer concerns are being addressed. Staff education is being pursued as a priority. To date, the handover seems to have gone smoothly. Despite the concerns raised by alarmists, canal operations seem to have gone the way of the other great concern of handover day—the Year 2000 (Y2K) issue.

Advance worries seem to have been unfounded. To many, the handover resembled that of Hong Kong to China in 1997. Of course there are two sides to this.

Concerns about the government of Panama taking the canal’s money to support domestic priorities are exacerbating a China scare. Former state-controlled ports at Cristobal and Balboa have been sold to Panama Ports Corp., a company controlled by Hutchison Port Holdings of Hong Kong, alleged by conservatives in Congress to be a front for the People’s Liberation Army.

Although disputes remain about the contract terms, the authority insists that these concessions were awarded to the highest bidder, in an open competition run by the previous administration (i.e., under the supervision of the U.S. government). These concerns are similar to those expressed over allowing China Ocean Shipping (Cosco) to move into a terminal to be constructed on the former naval station in Long Beach.

Though the ports are located at either end of the canal, providing a strategic location, the real issue of control is over the water. It takes over 50 million gallons of fresh water for a canal transit. This asset is well-managed by the Panamanians.

The other similarity to the Hong Kong handover (and that of former military facilities in the Philippines) is the end of a colonial bastion. “Zonians,” Americans living in the Canal Zone, enjoyed a lifestyle they could only imagine back home. With transition came the disappearance of their subsidized existence.

But the colonial legacy may linger. Many consider the canal American because “we stole it fair and square,” and almost a quarter century after the Carter-Torrijos treaty, the handover still remains a lightening rod for political opposition.

During globalization of the world economy, we should see the Panama Canal for the historic triumph of technology—and even political enlightenment—it has been, noting that it continues to positively affect economic growth.

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