Varela: Expanded Panama Canal Will Be Inaugurated in May

Louisa Reynolds

Follow this and additional works at: https://digitalrepository.unm.edu/noticen

Recommended Citation
After a series of major delays and huge overruns, President Juan Carlos Varela announced during his address to the nation on Jan. 2 that the Panama Canal would be inaugurated in May of this year.

“Our country, once again, will be the scene of an event of international importance when we inaugurate the expanded canal, which all Panamanians will celebrate with great pride together with an important number of heads of state and official representatives from foreign governments who will visit our country to witness this historic event,” Varela said.

He added that the Spanish-led consortium in charge of the project, Grupo Unidos por el Canal (GUPC), should leave legal disputes aside and focus on meeting the deadline. These remarks were made after the international Dispute Adjudication Board (DAB) ordered the Autoridad del Canal de Panamá (Panama Canal Authority, ACP) to pay the GUPC US$17 million for budget overruns and extra labor costs, an amount far in excess of the US$495,000 that the ACP had said it was willing to pay.

Launched in 2007, the expansion project aims to double the canal’s capacity (NotiCen, Oct. 26, 2006, and Sept. 6, 2007).

The GUPC was awarded the contract with a proposed budget of US$3.2 billion, but the project’s total cost will be twice as high as a result of budget overruns, which has led to tensions between the GUPC and the Panamanian authorities. A dispute between the ACP and the GUPC brought the project to a standstill in 2014 (NotiCen, Feb. 13, 2014, and April 10, 2014).

The project’s initial deadline was October 2014, but it was postponed to April 2016 after the dispute. The deadline was then set back yet again, to May 2016, after cracks in the locks were detected in August 2015.

“In a very respectful manner, I ask the contractors in charge of the canal expansion to engage in a dialog with the ACP in order to finish the project and leave legal disputes in the hands of the relevant institutions, thus avoiding a public feud in the media that is detrimental to the public image of the companies involved, the ACP and Panama as a country,” Varela said.

President Varela’s words echo statements made by private sector representatives, which have demanded that the GUPC meet the deadline and give up its claim for overruns.

Are the new locks safe?

The 50-mile canal handles 6% of global trade, a proportion that is set to increase after the expansion, as the construction of a third set of locks will make it possible to accommodate “post-Panamax” ships. These huge ships, mainly used by the energy industry (particularly the liquefied natural gas industry), can hold up to 12,000 20-foot-long containers and are three times the size that the canal can currently handle.
With the new set of locks, the Panama Canal will be able to handle up to 600 million tons of cargo annually, twice its current capacity.

Last December, ACP director Jorge Quijano told the Panamanian media the expansion project would be completed in the second quarter of 2016, but warned that commercial operations would not necessarily begin immediately after its inauguration.

Quijano said the expansion of the canal had reached 96%, but the GUPC, which is led by the Spanish construction company Sacyr and also includes the Italian company Impregilo, the Belgian company Jan de Nul, and the Panamanian company Cusa, has threatened to bring the project to a standstill yet again if the ACP fails to pay for the budget overruns.

In addition to the ACP’s costly disputes with the GUPC and labor unions, the project has been dogged by alleged scandals (NotiCen, Jan. 3, 2008, and Aug. 20, 2009) and by falling shipping traffic in the wake of the 2008 financial crisis. Another recent setback was the appearance of huge fissures in the sill of the new Cocoli locks during their testing in August 2015.

‘Design flaw’

The GUPC told the Panamanian media that the fissures were caused by a design flaw, as insufficient rebar rods were inserted into the walls. However, photos of the faulty locks reveal an irregular honeycombed texture that appears to be the result of improper concrete mixing. Eager to protect its reputation and press ahead with the project in order to meet the new deadline, the ACP has been far from forthcoming about the safety implications of this apparent flaw and has refused to make public a technical evaluation carried out by the Panama Technological University (UTP).

The ACP has accepted the GUPC’s controversial diagnosis and proposed solution. In January, extra rebar rods were inserted into the lock wall and fresh concrete injected into the cracks.

In an editorial published in December 2015, Eric Jackson, editor of The Panama News, discussed some of the safety concerns that have arisen since the cracks in the Cocoli locks appeared.

“It if is properly diagnosed as a bad concrete pour and properly resolved by tearing out the faulty concrete and redoing the work, that would cause major new delays and probably bankrupt construction companies (…) Calling it a design flaw allows for a quicker, cheaper and shorter-lasting fix and for those responsible for the bad concrete to litigate with designers in an attempt to pass off some of the costs of their mistake to others,” Jackson wrote. He went on to speculate that the collapse of Sacyr, which is subsidized by the Spanish government, could bring down the Spanish economy, which would explain why second-rate solutions are being implemented in order to avoid redoing the work.

News of additional flaws emerged after a memo by a US-British-Dutch consulting firm working for the GUPC was leaked to the Panamanian newspaper La Estrella in November 2015. The memo mentions the discovery of two new cracks in the sill.

-- End --