

PANAMA CANAL SYMPOSIUM

On February 22, the Canal Administrator addressed the Panama Canal Symposium at the Hilton Hotel in New Orleans, Louisiana. His presentation touched on the recent transfer of the waterway by the United States to the Republic of Panama, and current and future improvement and modernization programs being undertaken or planned by the Panama Canal Authority to provide the highest quality of transit service. He also outlined the various studies that are actively underway in connection with the planned construction of the third set of locks.

The event was sponsored by the World Trade Center of New Orleans and it was produced and organized by the Journal of Commerce Group (JOC). Mr. William Ralph, President of the JOC provided the welcoming remarks and Panama's Ambassador to the United States, Guillermo Ford, delivered the keynote address. Other speakers included: James Benson, Panama Desk Officer, U.S. State Department; Greg Stangel, Vice President Marketing, Intermarine; Mike Haverty, President and CEO, Kansas City Southern Lines, which has the concession in Panama for the Panama Canal Railway Company to rehabilitate the Panama railroad; Christopher Davis, Partner Phelps Dunbar LLP and David Robles, Partner, DeCastro & Robles, who

gave legal perspectives; Gilberto Chona, Country Economist and Coordinator for Panama, Inter-American Development Bank; and C. Thomas Burke, Assistant to

the President, K-Line America and formerly Commissioner of the Panama Canal Study Commission, U.S. State Department.



From left to right: James Benson, William Ralph, Ambassador Guillermo Ford, Alberto Alemán Zubieta and C. Thomas Burke posed for a photo shortly after the first session.

NEW SERVICE BY CMA-CGM

Officials from the shipping line CMA-CGM disclosed plans to begin providing a new all-water service between Asia and the U.S. East Coast via the Panama Canal. CMA-CGM officials were in Hong Kong during the second week of March, discussing the final details for the initiation of the new service. They were accompanied by a representative from the French Shipping Agency in Panama who represents the line at the Panama Canal.

The first vessel should sail from the Far East in early April and transit the Panama Canal around April 23. The service rotation will be Pusan, Shanghai, Yantian, Hong Kong, Keelung, Panama, Kingston, New York, Norfolk, Savannah, Panama and back to Pusan.

A weekly service is contemplated with two vessels transiting the Canal and working cargo in Panama every week, with one in the southbound direction and the other northbound.

The Canal administration was very pleased with CMA-CGM's announcement to deploy its vessels via the waterway. CMA, a privately owned line based in Marseille, France, bought out CGM, which is based in Paris and was formerly owned by the French government, thus transforming CMA-CGM into a major global carrier. CMA-CGM has developed agreements with the China Shipping Group, based in Hong Kong, to further broaden its service and capacity.

POSIDONIA

The Panama Canal Authority will be participating in the Posidonia International Shipping Exhibition to be held in Piraeus, Greece. The Canal plans to have an exhibit which will be jointly sponsored by other entities in Panama, including the Panama Maritime Authority and the Interoceanic Regional Authority. The conference will be held June 2 - 9. More information is available at the following Internet Web-site www.posidonia-events.com.

U PCOMING CONFERENCES

Mr. Rodolfo Sabonge, Director of Corporate Planning and Marketing for the Panama Canal Authority has been invited to address two important maritime related conferences in April and May 2000. At the EXPO 2000 Intermodal conference, Mr. Sabonge, will participate, along with three other prominent panelists, in a "town meeting" style discussion moderated by Theodore Prince, Senior Vice President for Sales & Marketing at Kleinschmidt, Inc. The discussions will focus on a wide variety of transportation issues including the Panama Canal, railroads, trucking, ports and terminal operations and regulatory matters. This conference is organized by the Georgia Freight Bureau, Inc. and the Intermodal Association of North America and it will be held at the World Congress Center in Atlanta, Georgia, from April 11-13, 2000. More information concerning this event can be obtained by calling (404) 524-7777.

At the Terminal Operations and Shipping Conference (TOC 2000) in Rotterdam, Mr. Sabonge will discuss the advantages of the all-water route through the Panama Canal, the future of the waterway after the hand-over, and he will highlight Panama's prime geographic and strategic position as a major trade and transshipment hub. Other confirmed speakers from Panama for this event will include Mr. Carlos Urriola, Vice President of Marketing for the Manzanillo International Terminal and David Starling, President, Panama Canal Railway Company. The event will be held from May 16-18 and it will include presentations, workshops and exhibits. More information regarding the conference and the latest list of speakers can be obtained by visiting the TOC web site at www.toc-iirx.com.

M OVIE MAKING AT THE CANAL

Pierce Brosnan, well known as James Bond, arrived in Panama in March, along with Jamie Lee Curtis and Geofrey Rush, to begin filming a movie based on the novel, "The Tailor of Panama" by John Le Carré. The Panama Canal cooperated with the producers by providing support and assistance in the production of the movie as some portions of the movie will feature scenes of the Canal.

M ODERNIZATION PROGRAMS

Gaillard Cut Widening

The accelerated Gaillard Cut Widening Program continues on schedule and is approximately 83% completed. Project engineers report that dry excavation which is about 91% complete, and overall wet excavation which is 73 % complete and 91.8% of all drilling and blasting operations have been accomplished. As a result of the Cut Widening Program, a new longer vessel Tie-up station is under construction on the west bank of Gaillard Cut, just north of Pedro Miguel Locks, and that project is scheduled to be completed in June 2000. Once this new facility becomes operational it will replace the existing Paraiso vessel Tie-up station, which was already scheduled for removal as part of the Cut Widening Program.



Vessel Traffic Management

The Enhanced Vessel Traffic Management System (EVTMS) went into service in December. The following month, the new CTAN (Communications, Tracking, and Navigation) became operational. CTAN provides the user with a new, powerful tool improving quality, efficiency, and safety of vessel transits. Position accuracy is enhanced via the use of differential Global Positioning System (DGPS). As a result, the screens in the Marine Traffic Control Center, as well as the ones in all supporting units, have a complete and updated map of the location of all vessels and floating equipment, with the same view available to pilots on their laptop computers. The first and most important phase of the EVTMS is now fully operational. The system is being used in the Canal's daily operations, including vessel and pilot scheduling, as well as billing. Fine-tuning of the system is now underway by following up on recommendations received from the end users and increasing response speed and reliability in some applications. The use of specialized modules is now being evaluated to increase the benefits of this investment by adapting the system to multiple situations that arise during the daily use of the system.

New Locomotives

During January, the 8 prototype electric locks towing locomotives began operating around the clock and completed numerous lockages. These new locomotives are faster and more efficient than the earlier models and they are designed with fewer moving parts to reduce maintenance intervals, down time and costs. Operational trials will be ongoing through May of this year to identify any modifications that may be required to the new locomotives. When the prototypes are accepted by the Canal, an agreement will be made for the modifications required on the production units, and the Canal Authority will give the order to proceed with the manufacture of 18 additional units.

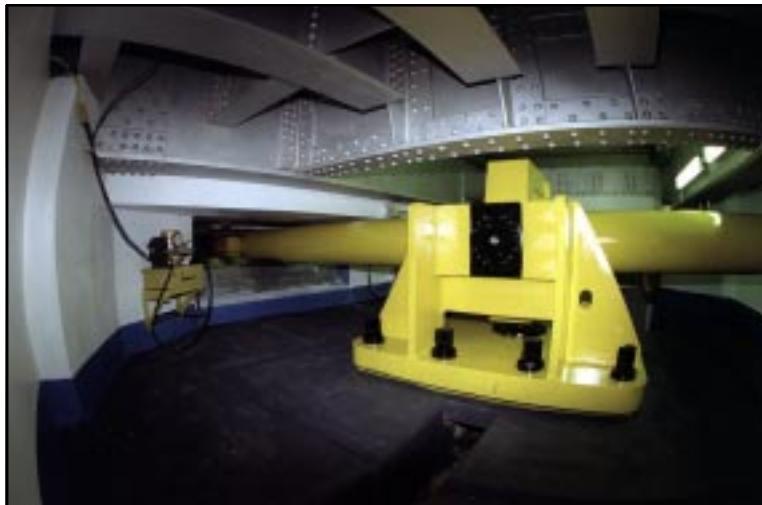
Rehabilitation of Locomotive Tow Track

More than ten thousand feet of locks locomotive tow track have been rehabilitated representing a 20% completion of the project. The entire project calls for the rehabilitation of more than 53,000 feet at all locks. The tracks are being upgraded to withstand the greater stress load that is being exerted on the tow track. We are currently involved in the process for the pre-demolition and manufacture of steel sections. Installation should begin on May 15, 2000.



EFFORTS TO REDUCE LOCKAGE TIME

The Canal is continuing its efforts to reduce lockage and vessel transit time by replacing old or worn machinery and controls systems with new more reliable equipment, thus increasing the Canal's overall capacity. Miter gate machinery, and the controls that activate the gates and other locks machinery, is undergoing replacement with new state-of-the-art equipment. Much of the machinery and all of the manually controlled systems within each lock chamber are original, electromechanical and were built in-place during Canal construction. This original equipment, which is showing signs of wear and fatigue, is experiencing increasing failure from decades of use resulting in more frequent maintenance intervals which produce traffic delays. Consequently, the strut arms for the miter gates are being replaced with more reliable and economical hydraulically activated equipment that has fewer moving parts, works smoother and more efficiently, and requires less maintenance and down time. The manually operated machinery control panels are also being replaced with a new computerized system to improve safety, reduce maintenance levels and expedite the lockage process. Canal customers will benefit from these improvements through a reduction in average lockage time.



Newly installed hydraulically activated strut arm.

The strut arm project involves the replacement of 80 strut arms distributed among the three locks. As of this date, 12 hydraulic strut arms have been installed at the Pedro Miguel Locks and are fully operational, and two others are undergoing installation. Similar work at the Miraflores Locks is scheduled to begin in April 2000 and should be completed during fiscal year 2001. Following this work, strut arm replacements will begin at Gatun Locks.



The electronic controls have already been successfully implemented at Pedro Miguel Locks. The improvements at Gatun Locks will be carried out during the fiscal year 2000 - 2001, to complete this three-year conversion program, at an estimated cost of \$16 million.

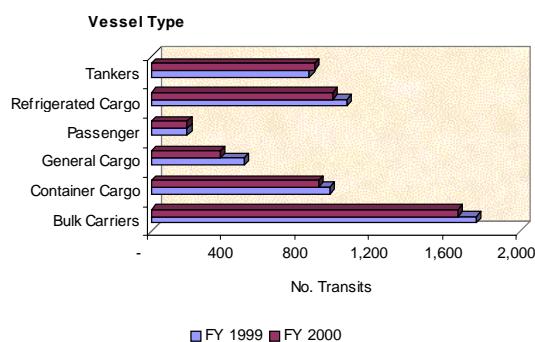
The Panama Canal will participate with a display integrated into Panama's country exhibit at the EXPO 2000 World's Fair in Hanover, Germany. The theme for the Fair will be "Humankind-Nature-Technology". As the Canal relies on natural rainfall to supply the fresh water needed to provide passage to more than 14,000 vessel transits and over 200 million long tons of cargo annually, the display will highlight efforts for the management and protection of water resources and the Canal's watershed. The display will also demonstrate the complexity of these efforts and the exploration of new water sources since the same reservoirs supply the ever-increasing demand for potable water, hydroelectric power, and irrigation water in the metropolitan areas adjoining the Canal. It will also identify the expanded watershed that will be needed for the planned construction of a third set of locks to expand Canal capacity. Other features of the display will include the application of new technology in the operation of the waterway, and the important service the Canal provides to the world through the efficient, economical and environmentally friendly movement of world trade for the benefit of all mankind. The Fair will be open from June 1 through October 31, and it promises to be the largest World's Fair in history. More information may be obtained about the Fair at the following Internet web site: www.expo2000.com



Mr. William A. O'Neil, Secretary-General of the International Maritime Organization (IMO) and Mr. Jerry Salazar, Administrator of the Panama Maritime Authority visited the Canal's exhibit presented at Panama Maritime V, which was held in Panama on February 23 to 25.

VESSEL SIZE STILL INCREASING

Commercial Transits by Major Ship Types (October - February)



the first five months of fiscal year 2000, compared to 5,517 or 36.5 per day for the same period the prior year. As the bar chart shows, most major vessel types reflected declines.

When analyzing the trades, the first part of fiscal year 2000 was characterized by the continuous increase in international oil prices, as the agreement to cut supplies among OPEC countries remained through the month of March. This decision impacted negatively on transportation costs, mainly freight rates, ultimately causing a change in some trades through the Canal. Cargo levels during the first four months of fiscal year 2000 totaled 64.1 million long tons, a reduction of 6.4 percent with respect to the 68.5 million long tons registered for the same period the prior year. Some commodities that showed negative results for the period of October through January 2000 were crude oil and oil products, coke and coal, phosphates, fertilizers, and manufactures of iron and steel. In addition, the flow of grains, the largest and one of the most volatile commodity groups passing through the Panama Canal, registered a 16.4 percent decline during the first four months of fiscal year 2000. The reduced flow of corn from the East Coast of the United States to Asia, the main commodity within the grains group, was caused by competition from China. Some commodities that helped to offset these declines in cargo tonnage were containerized cargo, chemicals and petrochemicals, lumber and products, and refrigerated foods.

As of January 2000, cargo flows through the Panama Canal were showing signs of recovery overall. Grains reflected a 10.7 percent increase for the month of January and there is strong speculation that OPEC countries may end their freeze on oil production by the end of March.

Maintenance and Overhauls

Location	Dates for Major Maintenance and Overhauls
Pedro Miguel	May 15 to 26 (12 days) Rehabilitation of 1,540 ft of locomotive track on West sidewall and centerwall . Maintenance of miter gates.
Gatun	April 24 to May 26 (29 days) Centerwall culvert outage for inspection and replacement of 10 cylindrical valves.
Pedro Miguel Gatun	June 12 to 24 (12 days) Rehabilitation of 1,540 ft of locomotive track on East sidewall and centerwall. East lane dry chamber; maintenance of miter gates.
Miraflores	July 17 to 29 (10 days) East lane dry chamber. Rehabilitation of 1,400 ft of locomotive track on East lane upper and lower level centerwall.
Gatun	August 21 to 31 (10 days) Rehabilitation of 1,400 ft of locomotive track on West lane sidewall & centerwall.
Miraflores	September 18 to 19 (2 days) Maintenance of East miter gates.
Miraflores	September 20 to October 1 (12 days) East lane dry chamber; maintenance of miter gates; rehabilitation of 400 ft lower level locomotive track.
Gatun	September 30 to October 1 (2 days) Rehabilitation of 760 ft of locomotive track on West lane sidewall lower level

Customers can stay informed as to the nature and impact of these projects on transit capacity, or changes in the schedule by accessing the Canal's internet web site at www.pancanal.com and then clicking on the "Maritime Operations" icon.

CHARTING A NEW COURSE

Mr. Juergen Dorfmeier, President of the Panama Chamber of Shipping recently announced the appointment of Ms. Anna Maria Sanfilippo to the newly established position of Executive Director. Ms. Sanfilippo previously worked for Panama's National Port Authority, where she served as director of marketing and she has over 17 years of experience in the maritime sector. Mr. Dorfmeier noted that Ms. Sanfilippo's appointment was an initial step in the process of shifting the role of the Chamber to an organization with a broader membership that is more representative of the entire transportation sector as well as other entities which contribute to the development of Panama. The Chamber also plans to closely examine its current structure, bylaws and membership requirements. As part of its new mission the Chamber will strive to promote Panama as a major transportation and trade hub, while also encouraging overall economic development and tourism. Mr. Dorfmeier pointed out that with the transfer of the Canal to Panama and the constant changes in the transportation sector brought about by globalization, deregulation and new technology, it is necessary for his organization to redefine its role in the new millennium.

The Chamber was originally created in the 1960's as an informal group of local shipping agents, which represent many of the shipping lines that utilize the Panama Canal. Today, it is affiliated with the International Chamber of Shipping, based in London, and it is legally comprised of 53 companies. Some of its members include ports, the railroad, companies involved in the consolidation and storage of containers, and companies that provide collateral services, such as ship chandling and tendering, legal services, and maritime consulting. The Chamber is in the process of developing a web site on the internet and they plan to announce the address in the next couple of months.

for more information

Corporate Planning and Marketing

Panama Canal Authority
ACP-CP P.O. BOX 025513
Miami FL. 33102-5513
Tel.: (507) 272-7961 Fax: (507) 272-5916
e-mail: cpmc-ag@pancanal.com
web site: www.pancanal.com

SEE THIS NEWSLETTER ON THE ACP WEB SITE AT:

www.pancanal.com

(then click on "Canal News")

We will publish the next issue in May, 2000