

## A Message to Canal Customers

Two years have passed since the transfer of the Panama Canal to the Republic of Panama. During these two years our main efforts have been directed to maintaining the gates opened to the shipping community, and ensuring a safe and efficient transit of the waterway to all vessels of the world.

The Panama Canal Authority has since the transfer in December of 1999, embraced the challenge of focusing in fulfilling its new responsibilities, which go beyond the efficient operation of the waterway and reach the realm of becoming the prime driving force of Panama's progress and growth. These new responsibilities entail a clear understanding of our role as one of the most important world maritime commerce waterways and as pillar of our country's development. Reconciling both roles is important to enable the design of alternatives that can respond, not only to our customers' expectations, but also to the expectations of the Panamanians who for many decades cherished the dream of becoming the sole administrator of this paramount enterprise.

We have not lost sight of our supreme responsibility with regard to world trade. Through these years we have been working towards modernizing the waterway and improving, not only its plant and equipment, but also its infrastructure and operating systems. This challenging and extremely complex operation demands a high level of maintenance and constant modernization to continue serving its multiple users and customers from all over the world, providing a 24-hour service, three hundred and sixty five days a year.

This closing year has been particularly challenging for us at the Panama Canal Authority, as I am sure it has been for everyone else in the world. In spite of the well-known negative effects of the world economic slowdown and the horrific events of September 11, we had

a successful year in terms of activity and accomplishments. Despite a moderate decline in oceangoing transits and PC/UMS net tonnage, fiscal year 2001 saw a considerable increase in Panamax vessels, which constituted 35.8 percent of the total number of transits. During this



period, 366 transits of vessels measuring over 950 feet in length were reported, as compared to 247 in fiscal year 2000.

Furthermore, impressive statistics for a particularly safe year at the Panama Canal marked the ending of fiscal year 2001. Accidents reported corresponded to only 0.13 percent of the overall transits made. The accident rate throughout Canal history has never been this low. However, more significant are the challenges and critical factors that surrounded this great achievement by Canal employees. The remarkable safety record was reached in spite of

the change in the traffic mix now comprising bigger vessels and while the rigorous maintenance program was underway and the modernization program continued as scheduled. All major programs were successfully fulfilled, while providing improved service to our clientele, as demonstrated by a reduction in Canal Waters Time from 29.4 hours in FY 2000 to 23.9 hours in FY 2001.

The modernization program reached a new milestone. Its largest project, the Gaillard Cut widening, originally planned to take about 20 years, was successfully concluded last November, eleven years before it was originally planned and with significant savings. The widening is now finished and upon completion of the signaling the widened Cut will be fully operational, probably by March 2002, permitting Panamax vessels to pass each other without restriction at this narrow portion of the waterway. The other components of the modernization program are also advancing with excellent results.

During the year now ending, the Panama Canal Authority received the ISO 9001 Certification in two of its most important areas: the Department of Maritime Operations and the Training and Development Division of the Department of Human Resources. The ISO 9001 certification is a great accomplishment resulting from the hard work and commitment of the men and women in our labor force who --aware of the importance of this process-- put all their efforts into making this objective a reality. We are extremely proud of each and every employee who played a part and contributed to the success of this effort.

Looking ahead into the future, we fully understand the need to continue improving and we are committed to do so in order to remain the route of choice of our customers and a cornerstone of the global transportation system.

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We will continue with the process of certifying the rest of the organization under ISO 9001 standards, and expect to achieve this goal in the year 2003. We will continue with the studies for the next Canal expansion and considering larger locks to be able to accommodate existing Post-Panamax vessels as well as those being ordered and built by the maritime industry.

The Panama Canal Authority is working, within its charter, to make Panama a destination and the most important distribution center in this hemisphere. We are finalizing the studies to dredge the Pacific entrance to the Panama Canal, allowing Panamax and post-Panamax vessels to enter Balboa port and any other future terminal in the Pacific fully loaded, thus delivering greater cargo volumes to Panamanian ports. Meanwhile, we proceed with the project to deepen the navigation

channel along Gatun Lake and Gaillard Cut by one meter. This deepening will increase water storage capacity in Gatun Lake and will also help the Panama Canal maintain maximum draft during the dry months of the year.

In summary, we are concentrated in providing significant added value to our customers while increasing world trade. We have intensified our outreaching efforts and periodically meet customers and industry leaders to review tendencies and assess opportunities. We have taken advantage of the meetings with the Advisory Board to obtain their expert advice, guidance, and useful information from the global maritime community perspective on how to prepare the Canal to meet future challenges.

The Panama Canal Authority is now

closer to its customers. I hope that you now find a Panama Canal workforce willing to listen to and attempt to understand your concerns, and that - even if you do not always agree with our actions - you view the process as fair and the decisions informed and principled.

We will continue striving to improve the Canal's competitiveness, safety, reliability and profitability through an efficient utilization of our resources, while giving greater attention to our clients. We at the Panama Canal Authority pledge to continue providing high quality transit service and responding adequately to the changes in the maritime transportation business to fulfill our natural mission to unite the world by providing passage to vessels of all countries.

## The Financial Perspective

The past two years have been challenging, as we needed to bring about a culture change from the non-profit federal agency of the United States government to a profit-driven corporation of the Republic of Panama. Both fiscal year endings satisfied management expectations as well as the expectations of all Panamanians. In terms of payments to Panama, in fiscal year 2001, the corporation contributed with 150.4 millions in direct payments resulting from tolls collection and 29 millions in payments for public services rendered, thus complying with our vision of becoming the driving force of Panama's progress and growth.

In spite of the economic slowdown and a slight decline of our revenues, during fiscal year 2001 we accomplished important savings in financial terms and achieved essential operational efficiencies that guided the agency to a year end closure in sync with the financial plan. This was the result of a successful financial management program that enabled the Canal to carry on with its multimillion-modernization and improvement program, while considering massive investments to increase capacity to satisfy the maritime industry demand well into this century.

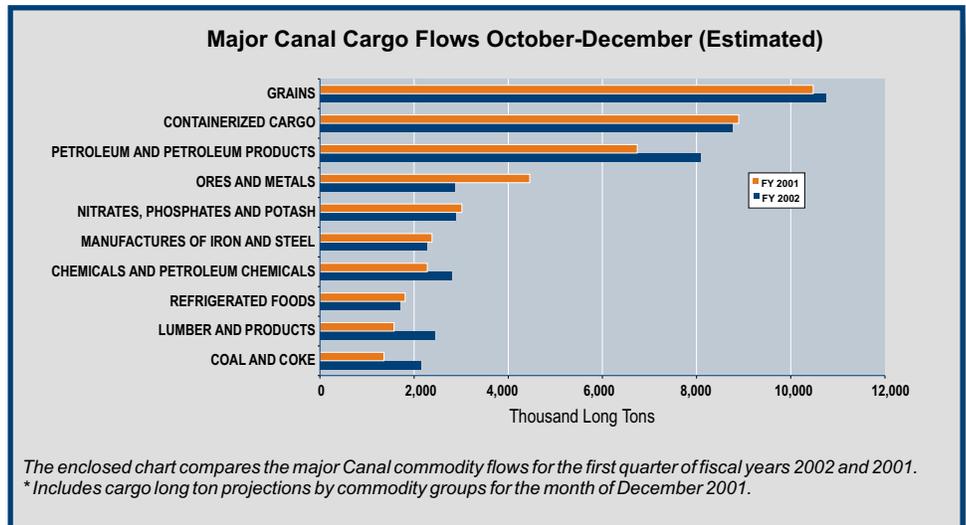


The year 2002 is somewhat of a concern as economic growth and international trade continue to show weakness, a situation that was worsened by the tragic events of September 11. Yet the Panama Canal as a long term on going concern is prepared to meet the challenges of the business cycle, at all times with a business attitude toward the long term commitment of providing safe, reliable and efficient transit passage between the oceans.

It is precisely at this time when our corporate effort is geared to further strengthening the Canal's financial position, focus long term towards future requirements for larger vessels and traffic volumes, while positioning the company to meet the challenges of a global economy driven by market forces.

## Canal Transits and Cargo Information

A preliminary forecast for the first quarter of fiscal year 2002 (October-December) reflects a 4.0 per cent decline in commercial cargo tonnage to 48.3 million long tons by comparison to the 50.3 million recorded in the same period of fiscal year 2001\*, an indicator that the overall world economic slowdown has affected Canal traffic performance. Cargo tonnage declines were evident for grains, coal and coke, chemicals and petroleum chemicals, lumber and lumber products as well as petroleum and petroleum products. By contrast, commodities that showed positive results included containerized cargo, ores and metals, nitrates, phosphates and potash, manufactures of iron and steel and refrigerated products. Preliminary estimates indicate that grains, the principal commodity group shipped through the Panama Canal, will drop by 2.4 per cent to nearly 10.5 million long tons from the same period last year. Grain importers in Japan and Taiwan have expressed fears of importing genetically modified grains from the United States while the world economic slowdown is affecting grain consumption patterns. Containerized cargo, the second most important commodity group, is expected to register a 1.7 per cent increase for the first three months of fiscal year 2002 with 8.9 million long tons. Presently, containerized service patterns through the Panama Canal have



not been significantly affected by world economic conditions. Cargo tonnage by petroleum and petroleum products, third commodity group in importance, are estimated to decline by 16.7 percent to 6.7 million long tons. The petroleum and petroleum products production has been affected by the United States economic slowdown in addition to the tragic events of September 11. These have impacted the jet fuel demand with a significant decrease from the same period last year, noticed in the airline industry. It is expected that U.S. demand of petroleum and petroleum products will recover through the year 2002.

## New Toll Record

Upon completion of its maiden voyage on December 3rd, the cruise ship Norwegian Star broke the toll record set earlier this year by the Radiance of the Seas.

The Bahamian flag Norwegian Star paid \$208,653.16, topping the toll record established in March by the Radiance of the Seas that was set at \$202,176.76. This impressive vessel from the Norwegian Cruise Line has a length of 294.13 meters (964.99 feet), and its beam measures 32.31 meters (106 feet); the volume of this ship is greater than that of its predecessor, Radiance of the Seas, and so is its tonnage. It has the capability to accommodate up to 2,683 passengers, although during its first voyage it carried 2,226 passengers and 1,053 crewmen.

This German-built cruise ship departed from Miami, Florida, on November 19, calling at Cartagena, Colombia, before transiting the Canal en route to its final destination, Acapulco, Mexico.

Because of its non-stop operation and reputation for safe and dependable transit service, each year an average of 284 cruise ships transit the Panama Canal carrying on board passengers from all over the world. The Panama Canal offers the unique experience of transiting two oceans in one day. During 2001, the standing toll record was broken on three occasions by cruise ships. On March 8, Celebrity Cruises' Infinity paid \$201,531.69 for its Panama Canal transit, and on April 12, Royal Caribbean's Radiance of the Seas paid \$202,176.76.

## Slowdown in Canal Traffic

During the first quarter (October - December) of fiscal year 2002, preliminary estimates indicate a total of 2,912 oceangoing transits, a 5.8 per cent decrease by comparison to the 3,092 total in fiscal year 2001\*. The number of transits by Panamax vessels, those of 100-foot beam and over, reflected a 4.4 per cent shortfall from fiscal year 2001 with 1,141 transits. The chart enclosed provides the monthly trend by quarter. Panamax vessels transits represented a 39.2 per cent share of total oceangoing transits. Presently, dry bulk carriers and containerships hold nearly 60 per cent of all Panamax-size vessel transits, with shares of 29.6 and 29.0 per cent, respectively.



Panamax Transits 100' Beam & Over		
Month	FY 2001	FY 2002
Oct.	419	355
Nov.	379	389
Dec.	395	397 *
<b>Total</b>	<b>1,193</b>	<b>1,141 *</b>

\* Estimated

\* Transit figures for the month of December 2001 were estimated.

## Three New ACP Board Members Appointed

On December 27, 2001, the members of Panama's Legislative Assembly unanimously approved the appointment of three new members to the Panama Canal Authority Board of Directors: Messrs. Mario J. Galindo, Guillermo Quijano and Antonio Domínguez, Jr. In accordance with the Organic Law of the Panama Canal Authority, directors are appointed by the President of the Republic with the consent of the Cabinet Council and ratified by an absolute majority of the members of the Legislative Assembly. The new board members replace Messrs. Raúl Montenegro, Luis Anderson and Samuel Lewis



Navarro whose appointment term expired during this year. Messrs. Galindo, Quijano and Domínguez shall serve in their posts for a term of 9 years, and may only be removed for the reasons set forth in Article 20 of the Organic Law.

Mr. Mario J. Galindo holds an Economics degree from Georgetown University and Law degrees from the Puerto Rico University and Tulane University. Mr. Galindo has held numerous high posts in the private and

governmental sector in Panama, including the Ministry of Treasury.

Mr. Guillermo Quijano holds a Civil Engineering degree from the University of Santa Clara in California. Mr. Quijano has dedicated his professional career to engineering and management positions in the private sector in Panama.

Mr. Antonio Domínguez, Jr. holds a Bachelor of Science degree in Chemical Engineering from the University of Notre Dame, a Master of Science in Industrial Engineering from Northwestern

University, and a Master of Business Administration from J.L. Kellogg Graduate School of Management at Northwestern University. Mr. Domínguez has worked in the private sector in Panama, Mexico and Puerto Rico.

The Canal administration is pleased with the presidential appointments of Messrs. Galindo, Quijano and Domínguez to these important positions and bids welcome to the new Directors.

## New Marketing Manager



Mr. Oscar Bazán has been appointed Manager of the Canal's Marketing Division. Mr. Bazán brings to the Canal more than 20 years of experience in sales and marketing in the shipping and transportation industry. More recently, he served as Sales Manager of Maersk-Sealand offices in Panama. Before that he held similar positions in Sea-Land Service, Inc., and Crowley American Transport. Mr. Bazán earned Industrial Engineering and Business Administration degrees from the University of Panama. He completed post-graduate studies on Strategic

Planning and holds Masters Degrees on Marketing and Maritime Business from the University of Science and Technology (ULACIT) Panama. Mr. Bazán's appointment is in line with the Canal's efforts to strengthen its management team and knowledge base of the maritime industry. The recent reorganization of the Department of Corporate Planning and Marketing brought about the creation of a new Strategic Services Division and the consolidation of the Marketing Division which now includes the office of Customer Relations, Pricing and Tolls, Dry Bulks, Liquid Bulks, Liner Services, Other Specialized Services, and New Business Development.

## Congratulations to the Panama Canal Authority Advisory Board Members

His Excellency, Mr. William O'Neil, Secretary General of the International Maritime Organization was elected on November 22, 2001, to head the IMO for two further years.

Mr. William O'Neil is also the Chairman of the Panama Canal Authority Advisory Board. He was appointed member on December 14, 1999 and has been since Chairman of the board.

Mr. Gustavo Cisneros, a new and valuable addition to the Advisory Board, was featured in Forbes Global, the English language international edition of Forbes in its November 26, 2001 issue. His Cisneros Group has joint ventures with AOL Latin America and DirecTV and his Univision is the fastest growing television network in the United States. The article highlights the immense potential of Ibero-America, including the enormous growth of the U.S. Hispanic market. The Cisneros Group appeared ranked 38th in a list of the 50 largest private companies outside the U.S. and is the only Latin American company to be included on the list.

The Panama Canal Authority Advisory Board serves as a consultative body for the Canal enterprise with the main responsibility to provide guidance and recommendations to the Board of Directors. The members of this Board are recognized professionals with broad experience in the business world and the Panama Canal in particular. With the assistance of the Advisory Board the Canal has maintained a much closer contact with the representatives of the shipping industry. Through the past two years, the Board has provided valuable guidance and recommendations to the Panama Canal to assist us in our permanent quest for a more efficient, competitive and safe waterway.

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## National Maritime Strategy



On December 10, the principal authorities representing the

maritime competencies of the Panamanian public administration signed an agreement to complete in a six-month period the National Maritime Strategy.

The effort will focus on the analysis of the strengths and weaknesses of Panama's

maritime sector and ways to increase its development and economic importance to the country. The agreement in itself is a major milestone because it establishes a coordinating committee that will address common issues that historically had been addressed on individual basis by each organization.

The development process of the National Maritime Strategy will entail work by consultants, workshops, seminars, and the presentation of a formal document with strategic objectives, tasks, and recommendations to be carried out in the short,

medium, and long-term.

Panamanian President Mireya Moscoso headed the ceremony attended by representatives of all institutions and organizations engaged in maritime activities or commercial and industrial activities or services that complement the maritime sector. The Panama Canal Authority, the Panama Maritime Authority, the Interoceanic Region Authority, the National Environmental Authority, and the Panama Institute of Tourism, signed the agreement endorsed by the Panama Chamber of Shipping and the Panama Maritime Law Association.

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## First Cruise Ship Arrives at Amador

The MS Amsterdam, the first Pacific liner to dock at the Fort Amador Resort and Marina (FARM) cruise ship terminal during this cruise season, arrived with 1,200 passengers on board. The 61,000 grt., 1,380-passenger Amsterdam, is owned by the Holland America Lines and will call at Panama five times between now and mid-January, and will continue calling at the Pacific port until March.

FARM is building a cruise ship terminal, a shopping plaza, and a 120-room hotel, with villas and casino, on Flamenco Island, at the Pacific entrance to the Panama Canal. The complete project will house more than 50 businesses including bars, restaurants, handicraft

shops, coffee shops, boutiques, and a marina with moorings for 165 yachts ranging from 80 to 150 feet in length and a pier for medium and small cruise ships.

The total investment, according to Andrés López Piñeiro, FARM Director of Operations, adds up to \$30 million, and could be finished in two years. FARM is also conducting negotiations with Royal Caribbean, Celebrity Cruises, and Princess Cruises, regarding the arrival of new vessels for next year's cruise ship season.

Government officials and business leaders in Panama hope cruise ships will soon begin making Panama a port

of call. As a lure for the cruise industry, during the month of October two important cruise terminals were inaugurated at the Atlantic entrance of the Panama Canal, the Cristobal Cruise Terminal - Pier 6 and the Port of Colon.

For a long time Panama has wanted to develop tourism as a major source of revenue. Panama has comparative advantages over other ports in the Caribbean, mainly because it is located outside the hurricane belt; and because it provides the unique experience of two oceans on one port of call. Most cruise lines serving the Alaskan and Caribbean routes already provide transits through the Panama Canal.

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## Upcoming Conferences

The Panama Canal Administrator, Mr. Alberto Alemán Zubieta, has been invited to participate in the 2002 World Economic Forum from January 31 to February 4, 2002, at the Waldorf Astoria, New York. Mr. Alemán has been a valuable participant in the Governors Meeting for Logistics and Transportation Industry. For more information regarding the World Economic Forum visit its website at: <http://www.weforum.org>.

Administrator Alemán will be a keynote speaker at the Panama Maritime VI World Conference & Exhibition to be held in Panama from the 24th through the 27th of February 2002. The Panama Maritime World Conference and Exhibition is organized by the Panama

Maritime Law Association and the Panama Chamber of Shipping, and sponsored by the Panama Canal Authority and Seatrade. Panama Maritime VI will bring together top professionals in the industry to discuss and attempt solutions to the most salient issues affecting international maritime affairs. His Excellency William O'Neil, Secretary General of the International Maritime Organization; Chris Horrocks, Secretary General of the International Chamber of Shipping; and Robert Force, Director of the Admiralty Institute, Tulane University, will be among the distinguished participants. A Panama Canal user's forum is

scheduled during the second day of the conference. For more information, visit <http://www.panamamaritime.org>.

From March 18 through 20, 2002, the Panama Canal Authority will participate in the Connecticut Maritime Association (CMA) Shipping 2002 with exhibit #69 at the Westin Hotel in Stamford, Connecticut. The CMA 17th Annual Conference and Exhibition, organized by the Connecticut Maritime Association, is the landmark North American based event which brings together leaders in the shipping industry for business networking and industry affairs. For information, please visit <http://www.cmaconnect.com>

## Advisories to Shipping

The Maritime Operations Department has issued clarification regarding calculation of PC/UMS net tonnage of passenger vessels. Advisory A-60-2001 explains that for the purpose of calculating PC/UMS net tonnage, all spaces that have been identified and certifies for the use or possible use of passengers are to be included in the calculation of the vessel's total volume; therefore, the definition of "Excludable Spaces" as provided in the ITC 69, Regulation 2, Section 5 does not apply to areas such as balconies, passageways, swimming pools, or others designed and certified for the exclusive use of passengers.

On November 19, 2001, the Director of Maritime Operations issued an advisory on the subject of vessels not designed to carry containers on deck that are transiting carrying containers on deck. Advisory A-59-2001 explained that containers are considered as cargo, unless the container is permanently welded to the deck and its volume is included in the total volume of the vessel, in which case, the container is

considered as an integral part of the vessel. The abnormal situation of bulk carriers carrying containers on deck has been recently detected. Customers are advised that admesurers will proceed to calculate the on deck container capacity and such tonnage will be added to the PC/UMS net tonnage and applied to future transits. Dry bulk carriers reported as being in a ballast condition, but carrying containers on deck, will be assessed the laden toll rate.

On the basis of the provisions of Article 78 of the Panama Canal Authority Organic Law, and Article 139 of Agreement No. 13 of June 3, 1999, the Panama Canal Authority, in Advisory to Shipping No. A-57-2001, advised the international maritime community of the requirements applicable to transiting vessels carrying radioactive cargoes. These requirements respond to the Authority's policy of maintaining the highest standards of quality and safety of transiting vessels, as well as

safeguarding the integrity of the users of the interoceanic waterway, the national community, the Authority, and its personnel.

The requirements are based on the Organic Law of the Panama Canal Authority, which establishes in Article 57.4 the Authority's power to regulate the insurance coverage required of vessels transiting the Canal, for liabilities resulting from damages caused by such vessels to the Republic of Panama, the Canal, its work force, and third parties.

To implement the provisions of the above-mentioned law, the Regulation on Navigation in Panama Canal Waters, Chapter IX, Dangerous Cargo, establishes that all vessels carrying dangerous cargo shall provide current proof of financial responsibility and adequate provision for indemnity to the Republic of Panama, the Authority, or any agency thereof, covering public liability and loss as a result of accidents owing to radioactive cargo.

These measures are consistent with international insurance practices.

## Scheduled Locks Outages

The Maritime Operations Director released the tentative schedule of major locks outages for calendar year 2002. To better accommodate our customers' needs, maintenance lane outages are scheduled during periods in which vessel arrival rate is the lowest and which also coincides with the end of the cruise season. Canal operations managers evaluate historical traffic conditions and maintenance requirements and adjust the schedule as necessary to minimize the negative impact of such work on transit service.

Minor maintenance work (3 days or less) is not depicted, as schedule is tailored to accommodate short term customer needs.

In calendar year 2002 the locks overhaul program includes recondition of miter gates and other major locks maintenance and improvements, such as the rehabilitation of a total of 2,162 m. (7,092 ft) of locomotive tow track of which 431 m. (1,414 ft.) will be in Miraflores, 547 m. (1,794 ft) in Pedro Miguel and 1,184 m. (3,884 ft.) in Gatun Locks. The overhaul and major maintenance

program is critical to continue providing safe and reliable Canal operations.

Calendar Year 2002 Tentative Schedule					
Dates	Lane Outage Days	Miraflores	Pedro Miguel	Gatun	Transit Capacity
June 3 to 13	11	Lane Outage	Lane Outage	Lane Outage*	26-28
July 7 to 18	12	Lane Outage	Lane Outage*		30-32
August 12 to 22	11	Lane Outage Lane Outage*		Lane Outage*	26-28
September 16 to 26	11	Dry chamber		Lane Outage	26-28
October 21 to 31	11	Lane Outage			30-32

\* Identifies the locks requiring a major outage of one of its two lanes for maintenance/improvement projects. The Panama Canal Authority may take advantage of these requirements to perform simultaneous single lane outages for additional maintenance at other locks.

## The Panama Canal Railway

The President of Panama, Her Excellency Mrs. Mireya Moscoso, inaugurated the new transisthmian railroad on November 27, 2001. The Panama Canal Railway Company, a partnership between the Kansas City Southern Railway and Mi-Jack products, has the concession to operate the railroad that opens new horizons to the most important

transshipment center in Latin America. The primary reason for the revival of the railway is freight - a dry canal, capable of moving containers from the Atlantic to the Pacific in a mere three hours. Initially the target is 300,000 containers a year. By 2003, when the Port of Balboa completes its second phase of expansion, the railway

expects to be transporting close to a million containers. The railway is adding a new dimension to the cargo-handling potential of the Isthmus of Panama. Of special interest to some shipping lines is the fact that they may take advantage of the rail service when the ship's cargo causes its draft to exceed the limits of the Canal locks.

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## Visits by Clients and Users

On October 6, 2001, the Panama Canal Authority Deputy Administrator, Dr. Ricaurte Vásquez M., welcomed a delegation of Central American Magistrates headed by the Honorable Antonio Giammattel Avilés, President of the Central American Court of Justice. During their visit to Miraflores Locks, the members of the delegation enjoyed a luncheon with top management officials of the Panama Canal, representatives of international organizations, and other government officials. The delegation had the opportunity to tour the Miraflores Locks and observe the lockage operations while enjoying lunch.

The Panama Canal had the honor to receive the Ministers of Environment of Central America and the Caribbean who gathered in Panama in October for the



1st Water Fair of Central America. At the Miraflores Locks, the ministers toured

the Control House and received a full briefing on Canal operations, the various trade routes served by the waterway, and the capacity enhancement projects and plans for future expansion. A group of Canal officials took the participants for a partial transit through Gaillard Cut and Gatun Lake aboard the "Gaviota," thus providing the members of the delegation with an excellent opportunity to view first-hand the ongoing work being performed as part of the Cut Widening Project.

In October and November, two groups of college students from Mexico visited the Panama Canal and received a full briefing on Panama Canal operations and its marketing program. The first group of over 35 students was from the University of Guanajuato; the second group was comprised of 40 students majoring in International Trade at the Monterrey Technological University, D.F. Campus. The participants were also given the opportunity to observe the lockage operations and learn about the various trade routes served by the waterway.

On December 1, 2001, a delegation from the Agency for the Prohibition of Nuclear Weapons in Latin America and the Caribbean (OPANAL) visited

the Panama Canal. The members of the delegation toured the Miraflores Locks and were briefed on Canal operations and the modernization programs. They also viewed the topographical model at the Visitors Center and made a partial transit through Gaillard Cut. The OPANAL is an agency that provides information on the international efforts towards the prohibition of nuclear weapons and furthers the efforts of the nonproliferation regime, which is the bedrock for the disarmament of nuclear and other weapons of mass destruction.

On December 11, 2001, Canal Administrator Alberto Alemán Zubieta welcomed the Honorable Mohammed ElBaradei, General Director of the International Atomic Energy Agency (IAEA); and Mr. Paulo Barretto, Division Director for Europe, Latin America, and Asia of the IAEA. Administrator Alemán and Canal officials offered a breakfast reception in honor of Mr. ElBaradei. Later on, the IAEA officials visited the Miraflores Locks, where they had the opportunity to operate the miter gates from the Control House and observe the lockage operations. They also received a full briefing on Panama Canal operations. The IAEA serves as the world's central intergovernmental forum for scientific and technical cooperation in the nuclear field.

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## Outreaching Efforts

As part of its intensified outreaching program, the ACP participated in the Florida Caribbean Cruise Association Annual Conference in Aruba, from October 2 to 5, 2001.

In October, Administrator Alberto Alemán Zubieta served as the keynote speaker at the Annual Conference of the American Society of Civil Engineers in Houston. Administrator Alemán briefed participants on "The Panama Canal: A Route at the Service of the International Maritime Industry," which included the history, recent developments, and future of the waterway. Several maritime authorities, including high-ranking executives from the Port of Philadelphia, the Port of Houston, the Port of Galveston, and the Port Authorities of

New York and New Jersey, attended the conference. Administrator Alemán also addressed participants at the celebration of Panama Week in Washington, D.C. Administrator Alemán offered an overall description of Panama's recent port development efforts, which have resulted in growing cargo capabilities. Mr. Rodolfo R. Sabonge, Director of Corporate Planning and Marketing, was the guest speaker at the first Terminal Operators Conference (TOC) of the Americas, held in October in Miami, Florida. His presentation involved the Panama Canal modernization and expansion programs.

Administrator Alemán Zubieta, Deputy Administrator Dr. Vásquez, and other top Canal officials met on November 7 with a delegation of the Panama Chamber of Shipping, headed by its President Mr. Carlos Urriola. The President of the Panama Chamber of Shipping expressed his satisfaction for the excellent sense of teamwork achieved by members of the Chamber's Canal Affairs Commission and Department of Maritime Operations officials. Administrator Alemán made a commitment to continue holding meetings with the Chamber to jointly find ways to improve the services provided by the waterway to its customers.

## MODERNIZATION PROGRAM

### New Tugboats

As an important component of the program, two brand new tugboats were added to the Canal floating equipment fleet. The units, Colón and Coclé, named after two provinces in Panama, arrived from Prince Edward Island, Canada, on November 14 and were christened by Panamanian President Mireya Moscoso on December 4. The incorporation of these tugboats implied an investment of 10.6 million dollars. With this new acquisition, the Canal tugboat fleet was augmented to 22 units, but the goal of the modernization program is to reach 24 units by the end of fiscal year 2002. The expanded fleet will also provide more flexibility in maintenance scheduling and improved emergency response capability.

These new tugboats are made of steel with a novel azimuth stern drive and have a 4,400 horse power Deutz engine, which will enable the Panama Canal Authority to provide a better quality of transit services to its customers. Tugboats assist vessels during their Canal transits, especially at the entrance and

exit to the locks, and during their journey through Gaillard Cut, where great maneuverability and power are required.

This addition to the floating equipment complements the recently finished widening of Gaillard Cut. Once the signaling work is finished somewhere around March, simultaneous transit of two Panamax-type vessels will be possible along what is known as the narrowest portion of the waterway.



### Gaillard Cut Widening Completed

A year ahead of schedule, the Gaillard Cut Widening Program concluded on November 6th. This widening will increase the operating capacity of the



Panama Canal by 20 percent, enabling the simultaneous transit of two Panamax-type vessels and allowing for a more flexible traffic scheduling of vessels in the waterway.

Former Canal administrators, Messrs. Fernando Manfredo and Gilberto Guardia, attended the ceremony during which Administrator Alberto Alemán Zubieta conceded Mr. Guardia the honor of operating the dredge Christensen for

the final shovelful, at the precise historical site that has constituted the greatest challenge, first for the construction workers, and then for the operations--the site where the biggest landslides have occurred throughout history.

The completion of the project widens the narrowest passage of the Panama Canal from 152 meters to 192 meters along straight stretches and up to 222 meters on curves. Originally scheduled to be concluded in 2012, the Gaillard Cut Widening Project was sped up by more than 10 years, to be concluded in December 2002 to meet increasing traffic demands.

Only the signaling work, which is scheduled to be ready by the end of next year, is pending as part of the Gaillard Cut Widening Program. The widening is part of the Canal's \$1-billion modernization and improvement program. While it was originally estimated at a cost of more than \$600 million, its final cost was kept under \$300 million.

### Rehabilitation of Locomotive Tow Track

Another important part of the Panama Canal Modernization and Improvement Program is the rehabilitation of the locomotive tow tracks. The entire project calls for the rehabilitation of more than 16,190 meters at the three locks. The objective of the tow track rehabilitation project is to remove and replace the tracks and racks on which the locomotives operate with a structurally stronger system. This stronger system is required to support the loads exerted by the new locomotives, in response to demands of force and tolerance derived from the increasing transits of Panamax vessels. Bigger vessels require locomotives to have greater power and, in turn, produce greater wear on the tracks and racks. This project began in Miraflores in 1997, with a 24.38-meter prototype. The tracks are being upgraded to withstand the greater stress load being exerted on the tow tracks.

More than 7,300 meters of locks locomotive tow track have now been rehabilitated, representing a 45.13% execution rate.

### We want your comments

You are very important to us. We want your comments and suggestions regarding this newsletter and the service we provide. We would like to serve you best and convey important information for you and your business through this newsletter. Please let us know your views about this media (format, content, topics) and what you would like to see in our next edition. If you would rather receive it electronically, please send us a note with your correct email address to: [cpxc@pancanal.com](mailto:cpxc@pancanal.com) If you need additional copies or copies mailed to other officials within your corporation, please contact us (see box at right for address, fax, and telephone numbers).

### for more information

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