



March 2002

Customer Newsletter

## Brazil President Cardoso and Panama President Moscoso Launched Deepening of Gatun Lake

On March 6, Brazil President Fernando Henrique Cardoso and Panama President Mireya Moscoso launched the Panama Canal's channel deepening project by setting off a spectacular blast that marked yet another milestone in the famous waterway's history. The fragmentation blast symbolized the beginning of a seven-year program to deepen the channel by one meter (3 feet). This is the first major improvement project scheduled by the Panama Canal this century.

President Cardoso visited Panama to further strengthen the ties between the two nations. During President Moscoso's trip to Brasilia last year, high-ranking government officials expressed special interest in the future expansion plans of the Panama Canal. The waterway constitutes a vital artery for fueling Brazil's maritime trade development, particularly in the northeastern area, which has the fastest growth rate, since the Canal represents the most economic route for cargo transportation to Asian markets.

During the ceremony that initiated the project at Gatun Lake, Administrator Alberto Alemán Zubieta pointed out the importance of the project to increase the waterway's efficiency and improve the service provided to the world maritime industry.

The project's goal is to increase Gatun Lake's water storage capacity by 45 percent and augment the Canal's watershed water output. Deepening the channel will benefit Canal customers by enabling a more efficient draft administration and by reducing the impact of water shortages on shipping. Additional storage capacity will also permit the Canal to meet long-term demand for potable water.

The deepening of the channel will be completed using available ACP resources. The project will require drilling and blasting for rock material and will help the Canal maintain existing

reliability levels. However, planning is now underway to prepare the waterway for future shipping needs. A long-term Master Plan is being prepared to roll out a progressive, time-phased program of expansion projects that will level Canal traffic growth. The ACP plans to provide continuous service to customers and keep the waterway at the forefront of world trade routes.

*The Panama Canal  
Improves:  
The World Trade  
Benefits*



## Canal Transits and Cargo Information

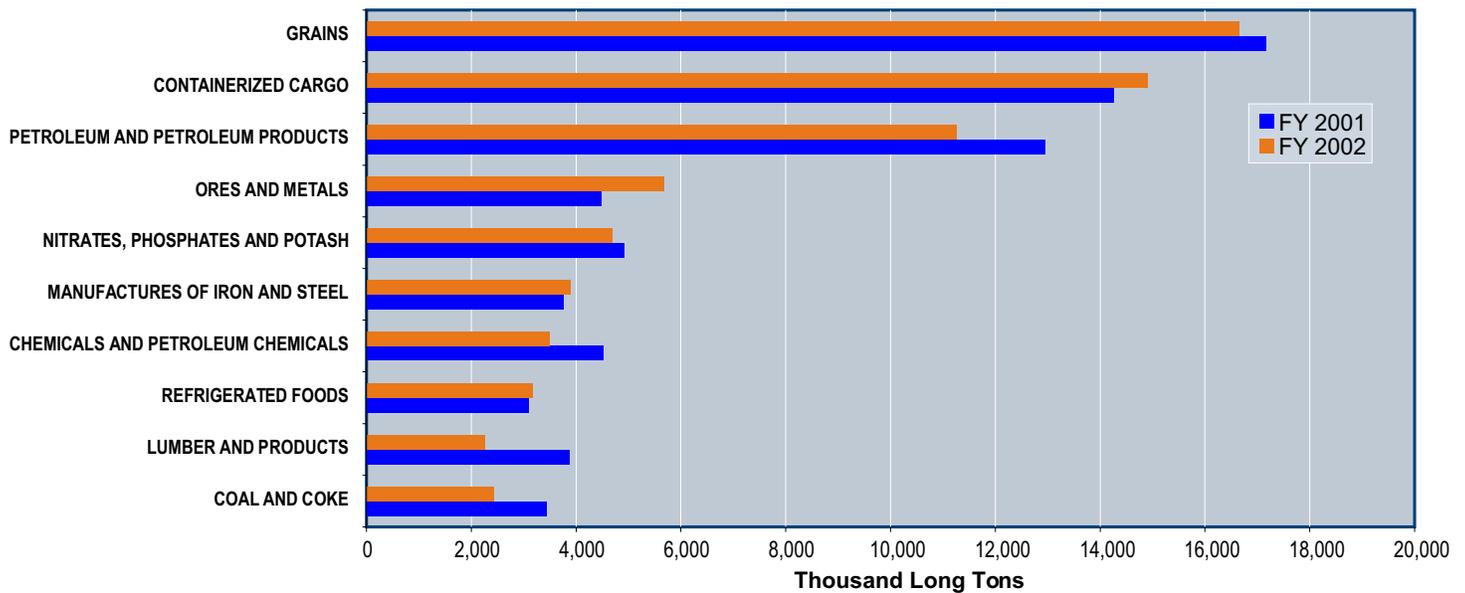
Available statistics for the five-month period (October-February) of fiscal year 2002 recorded a 4.3 percent decline in commercial cargo tonnage to 78.3 million long tons from the 81.8 million recorded during the same period of fiscal year 2001, as the world's deteriorated economy continued to negatively impact on Canal traffic. On the one hand, the weak performance during this period was evident in a number of bulk-type and specialized commodities including grains, petroleum and petroleum products, coal and coke, lumber and products, chemicals and petrochemicals, and phosphates and fertilizers. On the other hand, commodities with tonnage increases consisted of containerized cargo, ores and metals, manufactures of iron and steel, refrigerated products, and autos, accessories and parts. Grain, the

principal bulk commodity transported through the Panama Canal, recorded a 3.1 percent decrease to 16.7 million long tons relative to the same period during fiscal year 2001. This decline in shipments was significant in October, particularly because of the closure of one lane at Gatun Locks for maintenance and the slower pace of United States exports after the terrorist attacks on September 11th that prompted tighter security measures at U.S. ports. Containerized cargo maintained its place as the second most important commodity, as tonnage levels for the first five months of the fiscal year rose by 4.5 percent to 14.9 million long tons. During this five-month period, cargo flow on the principal two-way trade route of Asia and East Coast U.S. has risen by 11.1 per cent from previous year level.

Overall, containerized cargo holds a 19.0 percent share of total Canal cargo tonnage. Petroleum and petroleum products, third commodity group in importance for the Canal, declined by 13.1 percent to 11.3 million long tons. The world economic recession has caused an accumulation of inventories in industrialized nations, which has contributed to the weakening of demand. Moreover, the September 11th terrorist attacks in the United States directly resulted in a significant contraction in the demand for jet fuel. Another factor that has caused a negative influence on this segment is the moderate winter temperatures that have reduced the demand for heating oil.

Cargo tonnage comparisons for the first five months of fiscal years 2002 and 2001 are illustrated in the chart below.

**Major Canal Cargo Flows October-February**



## Canal Traffic Update

Preliminary traffic statistics for the first five months (October - February) of fiscal year 2002 registered a total of 4,872 oceangoing transits, a 4.9 percent short fall from the 5,125 transits recorded during the same period the year before.

Transits by Panamax-size vessels, the largest that can fit Canal locks, totaled 1,855 with a 3.1 percent decrease from the 1,915 transits in fiscal year 2001.

During this five-month period, Panamax-size vessel transits held a 38.1 per cent share of total oceangoing transits.



Panamax Transits 100' Beam & Over			
Month	FY 2001	FY 2002	% Change
Oct.	419	355	-15.3
Nov.	379	389	2.6
Dec.	395	370	-6.3
Jan.	376	395	5.1
Feb.	346	346	0.0
<b>Total</b>	<b>1,915</b>	<b>1,855</b>	<b>-3.1</b>

## Fifth Meeting of Advisory Board Concludes Successfully

With an unprecedented attendance, the fifth meeting of the Panama Canal Authority Advisory Board concluded successfully, after two days of intense discussions between its members and the members of the Board of Directors of the ACP.

William A. O'Neil, Secretary General of the International Maritime Organization, and Chairman of the Advisory Board, congratulated the ACP for its excellent administration of the waterway since its transfer to Panama, and for its important achievements, such as the decrease in the accident rate and in Canal Waters Time, as well as the completion in advance and with significant savings of the Gaillard Cut widening. With the



intent of meeting the increasing demand of international commercial maritime trade, the Advisory Board encouraged Canal executives to materialize, as soon as possible, the benefits that can be derived from the Cut widening, such as the 20% increase in operating capacity, by enabling simultaneous, unrestricted transit of two Panamax vessels through Gaillard Cut, and also the increased flexibility scheduling transits through the waterway.

The Advisory Board especially praised the introduction of improvements and stricter security measures that were incorporated into the organization's security program immediately after the September 11 terrorist acts. The Advisory Board encouraged the ACP to follow closely the IMO meetings and the corresponding recommendations on terrorist threats and suppression.

Among other aspects, the Advisory Board and the Board of Directors of the ACP analyzed the progress of the current modernization and improvement programs, expansion plans, possible revisions of the tolls structure, and dredging plans for the Pacific entrance to the Canal.

Canal executives informed the Advisory Board on the progress of the plans to install signals and other aids to navigation, that will make Gaillard Cut the maritime waterway with the best system of signals in the world. This investment will increase the safety of vessel transits, particularly Panamax vessels under foggy conditions, and other conditions that reduce visibility. The Advisory Board was also informed of the contract recently awarded to Kongsberg Norcontrol, Inc., to update the new 360° full-bridge simulator, for the continuous specialized training of Canal maritime operations personnel. All the members of the ACP Board of Directors, the Administrator, Deputy Administrator, and management team participated in the meeting. Members of the Advisory Board who participated were Flemming Jacobs, President and CEO of NOL Group; Stephan Schmidheiny, President of FUNDES International; Albert Nahmad, former member of the Board of Directors of the Panama Canal Commission and President and CEO of Watsco, Inc.; Salvador Jurado, President of Building Components Group, Inc.; Tommy Thomsen, partner in A.P. Moeller (Maersk Sealand); Gerhard Kurz, President and CEO of Seabulk International; Philip A. Embiricos, Director of Embiricos Shipbrokers, Ltd.; Joe Reeder, partner in Greenberg Traurig, and former Chairman of the Board of Directors of the Panama Canal Commission. William O'Neil, Secretary General of the IMO, was re-elected as Chairman of the Advisory Board until 2004.

The fifth meeting of the Advisory Board followed the Panama Maritime VI Conference, organized by the Panamanian Association of Maritime Law and the Panama Chamber of Shipping, during which important Canal users and clients praised the country for its notable administration and operation of the inter-oceanic waterway. The members of the Advisory Board, leaders of the maritime community and international trade, emphasized the need for an effective leadership of the country, in view of its responsibility as a world maritime center, with the world's largest shipping registry, and

again encouraged the Canal administration to continue to promote the development of a national maritime strategy.

The next meeting of the Advisory Board will be held in Fort Lauderdale, Florida, on September 19 and 20 of this year.

### Kudos to Advisory Board Members

International Maritime Organization Secretary-General and Chairman of the Panama Canal Authority Advisory Board, His Excellency, Mr. William O'Neil, will be honored with the "Lifetime Achievement Award" from the providers in the communications and information technology in shipping for steering the introduction of the Global Maritime Distress & Safety System, thus contributing to saving life at sea. The award will be presented during The 6th International Conference Communication & IT in Shipping - CITIS 2002 - on March 19 in London.

Mr. Armando Codina has been elected to the General Motors Corporation Board of Directors. Currently the Chairman and CEO of Codina Group, a privately owned company with expertise in development, construction, brokerage, management, and consulting services located in Miami, Florida, Armando Codina is a distinguished member of the Panama Canal Authority Advisory Board. The Florida Trend Magazine recognized Codina Group as the largest commercial developer in the State of Florida. Armando Codina, the American Red Cross Humanitarian of the Year 2000, has been recognized as the Free Enterpriser of the Year 1999 from the Florida Council on Economic Education; Entrepreneur of the Year from the Wharton School; and Business Leadership Hall of Fame by Junior Achievement.

The Panama Canal Authority staff joins in congratulating Armando Codina and William O'Neil on the above recognitions testimonial of their outstanding leadership qualities.

## A World Class Visitors' Center

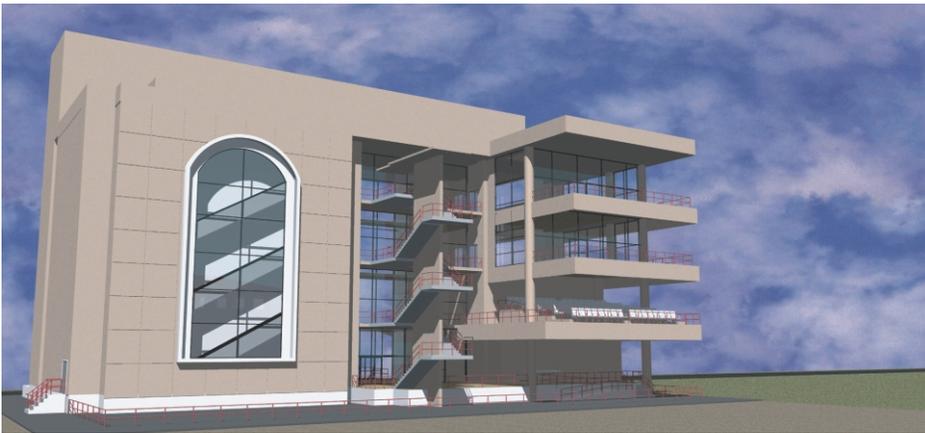
In June 2002, the Panama Canal Authority will inaugurate its new and impressive visitors center complex located at Miraflores Locks, on the Canal's Pacific entrance. At a cost of 5.5 million dollars, the complex will be a spectacular four-story structure with balconies that will provide a magnificent view of the locks and its surroundings. The structure will include exhibit areas, a conference room, theater with capacity for 250 persons, an aquarium, restaurant, snack bar, and a gift shop.

Fascinating multimedia presentations on Canal history, operations, and maintenance will be featured at the new theater, while all visitors will continue to enjoy live presentations by

knowledgeable Panama Canal guides and learn interesting facts about the Canal.

Visitors will also have a choice of grabbing a quick bite at the center's snack bar or enjoying a full-course meal at the five-star restaurant. The gift shop will offer visitors with exclusive Canal souvenirs and memorabilia to take home to friends and family, as well as fine jewelry.

Visiting the center - a remarkable area full of interactive exhibits about the waterway's past, present, and future - will be a must during your next stop in Panama.



## Data Collection Efforts

The Panama Canal Authority (ACP) is seeking alternatives to improve the process of filling out forms needed to comply with data collection required for transits through the Panama Canal. Forms such as the Cargo Declaration (CD) and the Ship Information and Quarantine (SIQD) require from the vessel Masters and officers to manually enter the necessary information. This process is time consuming and prone to human mistakes, which may translate into costly delays.

To simplify the procedure, we are evaluating the feasibility of automating the information exchange processes; therefore, we will be conducting a survey with the purpose of determining customer preferences and the best course of action for establishing a channel of electronic data interchange (EDI) and collection. Customer feedback will enable the ACP to present to Canal customers with an efficient data exchange service that also satisfies users preferences.

The ACP will also conduct important customer surveys beginning in late May. Customer cooperation will help ensure that the Panama Canal has an accurate and up-to-date database to communicate with its customers expeditiously.

## Canal's New CFO Named



The Panama Canal Authority (ACP) has designated Engineer Jose Barrios Ng as its new Chief Financial Officer. This function was temporarily carried out by the present Deputy

Administrator, Dr. Ricaurte Vasquez M. Mr. Barrios holds a degree in Electrical Engineering from Louisiana State University, a Master's Degree in Electrical Engineering from the Georgia Institute of Technology, and a Master's

Degree in Economic Engineering from the University of California (UCLA). He also studied Finance at the Massachusetts Institute of Technology (MIT).

Alberto Aleman Zubieta, ACP Administrator, indicated that "the incorporation of Engineer Barrios into the ACP management team will enable the Deputy Administrator, Dr. Ricaurte Vasquez M., to assume the responsibility of coordinating the work, studies, and analyses of the Canal Expansion Project, which is a priority issue for the organization."

Engineer Barrios was previously Executive Vice-President of Finance of Cable & Wireless, and Chief Financial Officer of the Cerveceria Nacional, S.A. His experience in international operations include Central America,

the United States, Canada, China, Taiwan, and Japan. He also held executive positions in Esso Standard Oil Co.

He currently teaches Business Strategy and Corporate Finance in the Master's Degree Programs of the Latin American University of Science and Technology (ULACIT) and the University of Louisville - Panama.



## Canal Excellence in Operations Praised during Panama Maritime VI

The 6th Panama Maritime World Conference and Exhibition held in Panama from February 24 to 27 attracted more than 300 delegates from over 30 countries from Asia, the Americas, and Europe. Hosted by the Maritime Law Association and the Panama Chamber of Shipping, the conference allowed Panama to display the country's investment opportunities in the maritime sector, including the Panama Canal, the nation's merchant fleet, and port developments.

During the conference, His Excellency Mr. William A. O'Neil, Secretary General of the International Maritime Organization, commended Panama Canal Authority executives on their recent presentation on the Panama Canal given in London regarding transit safety and risk management at the waterway. He also commended them on the high quality service and effective management demonstrated during these two years of operations after the transfer

of the Panama Canal to the Republic of Panama.

Mr. O'Neil also spoke about Panama's Maritime sector, highlighting that the Panama Canal is a vital artery for the world's economy and that offering high quality maritime services to world shipping, both through the Panama Canal and its flag registry, is one of Panama's major responsibilities.

Speakers at the Canal user's forum praised the Canal performance since its transfer to Panamanian stewardship in 1999. A representative from Ecuador stated that all pledges made in 1999 have been fulfilled - over 80 percent of Ecuador's economy relies on the Canal, particularly banana and oil exports. Another Canal client in the container industry pointed out that the industry has filed fewer claims under Panamanian administration than before, and added that he is very satisfied with the new late fee adopted for the booking system, as it enables

vessels to continue with their transit plans despite late arrivals in Canal waters.

Canal Administrator Alberto Alemán Zubieta assured the audience that Canal employees are working very hard and aiming very high to make the waterway safer, more efficient, and cost-effective to world shipping. He also highlighted the Canal's commitment to remain as a cornerstone of global transportation.

The Canal's Panamanian administration has been highly effective in providing solutions to problems related to shipping, according to business and maritime industry leaders speaking at the Panama Maritime Conference. They also pointed out that the Canal's future expansion plans are in line with Panama's goal of becoming a leading transshipment hub in the region.

## World's Maritime Economists to Meet in Panama

The ACP will host the annual meeting and conference of the International Association of Maritime Economists (IAME) from November 13-15, 2002. For the first time, the IAME annual meeting will be held in Latin America, making it a unique opportunity for Panama's maritime community to actively participate in this conference.

The conference theme - "**Maritime Economics: Setting the foundations for port and shipping policies**" - appears particularly appropriate in view of the maritime activities currently being discussed in Panama, including Panama's National Maritime Strategy and the Panama Canal expansion studies. The topics to be addressed during the conference include the supply and demand for nautical officers, an economic impact analysis, an organizational approach to port efficiency, challenges to intermodal chains, hub port locations, IT systems, economies of scale in shipping, and the safety record maintained by open registries. The Conference's International Steering Committee has

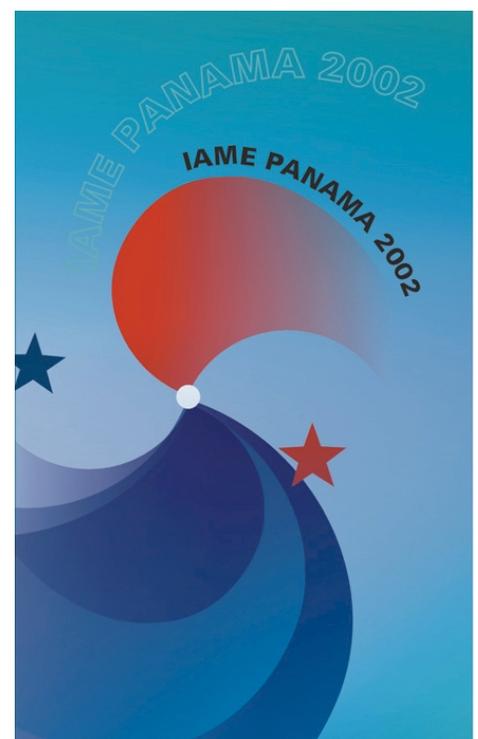
accepted 120 different proposals for papers written by 178 authors and co-authors from 35 countries.

"We are overwhelmed by the large number of responses to our request for papers. Although this implies more work than expected for the ACP, we are actually very happy about this positive feedback," says Rodolfo Sabonge, ACP Director of Corporate Planning and Marketing. The ACP is proud of the trust that the international community of maritime economists has bestowed in Panama and its Canal Authority. Last year, the meeting was held in Hong Kong.

Other organizations supporting this event include the Panama Maritime Authority, Trainmar Panama, the Universidad Latinoamericana de Ciencias y Tecnología, the Panama Chamber of Shipping, the City of Knowledge, and the United Nations Economic Commission for Latin America and the Caribbean (ECLAC). The international steering committee is made up of twenty-four well-known maritime economists, representing a

wide range of universities and international organizations.

For more information, please visit [www.pancanal.com/iame2002](http://www.pancanal.com/iame2002).



## Visits by Clients and Users

On January 19, 2002, Administrator Alberto Alemán Zubieta welcomed Honorable Ives Thibault De Silguy, Minister Plenipotentiary of the French Government and member of the Counsel Committee of the Suez Canal. During his visit, Mr. De Silguy over flew the Canal surroundings by helicopter, transited through the Gaillard Cut, and toured the Miraflores Locks, where the Director of Engineering and Projects, Agustin Arias, made a presentation on the Canal Expansion Project.

Canal Administrator visited with Senator Richard Polanco of the State of California and his delegation at the Administration Building on January 23, 2002.

On January 29, 2002, Canal Administrator welcomed a delegation headed by Lieutenant General Robert B. Flowers, US Army Corps of Engineers. Upon arrival at the Miraflores Locks, Mr. Jorge Quijano, Maritime Operations Director, briefed the delegation on canal operations issues and Canal expansion projects. Delegates had the opportunity to visit the control house.

On February 9, Administrator Alemán Zubieta welcomed the President of Tarragona Port Authority, Mr. Lluís Badia Chanco. Also from Spain, Doctor Javier San José Amézaga from the University of Deusto, Bilbao, visited the Panama Canal. Dr. San José Amézaga was accompanied by Father Pablo Varela Server, Dean of USMA (the Panamanian Catholic university).

A delegation headed by Mr. Don Young, from the U.S. House of Representatives Committee on Transportation and Infrastructure, visited the Panama Canal on February 18, 2002. Administrator Alemán greeted the delegation at the Miraflores Locks and hosted a partial transit through Gaillard Cut and Gatun Lake on board the "Marlin" to overview Canal projects.

Mr. Chris Horrocks, Secretary-general of the International Chamber of Shipping visited with Administrator Alemán Zubieta and toured the Miraflores Locks on February 25. Mr. Horrocks was a distinguished speaker

at the Panama Maritime VI Conference, but could not pass on the opportunity to visit the Panama Canal and to learn first hand about the various ongoing modernization and improvement projects at the waterway.

Mr. Steve Forbes, Chief Editor of Forbes Magazine and former candidate for the United States presidency, visited the Miraflores Locks on Tuesday, March 5, 2002. Mr. Forbes was in Panama as the special guest of the US-Panama Business Council (USPA).

## VISION OF THE ACP

**WORLD LEADER** in services to the maritime industry and in the sustainable development for the conservation of the Canal watershed;

**CORNERSTONE** of the global transportation system and driving force of Panama's progress and growth;

**MODEL** of excellence, integrity, and transparency, committed to the full development of our work force.

## A Very Important Customer Receives Award

Mr. Kazuo Sato, Deputy President of Mitsui O.S.K. Lines Ltd. visited the Panama Canal on February 27. During his visit, he received a complete orientation on Canal operations provided both at the Center for Marine Traffic Control and the Miraflores Locks. Mr. Kazuo Sato traveled from Japan to Panama to receive - on behalf of Mitsui O.S.K. Lines Ltd. - the Panama Maritime Excellence Award from Panama's President, Mireya Moscoso. The award ceremony was held at the Presidential Palace on February 26 and was attended by Honorable William O'Neil, Secretary-general of the IMO; Jerry Salazar, Administrator of the Panama Maritime Authority and Alberto Alemán Zubieta, the Panama Canal Administrator.

The Panama Canal Authority is pleased with this award presented to Mitsui O.S.K. Lines Ltd., a world-class enterprise, and one of Panama Canal's main users.



## 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*

### 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: [cpxc@pancanal.com](mailto:cpxc@pancanal.com)  
web site: [www.pancanal.com](http://www.pancanal.com)

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