

THE PANAMA CANAL

March 2003

New Canal Minister and Chairman Appointed



On February 6, Panamanian President Mireya Moscoso appointed Mr. Jerry Salazar as the new Minister for Canal Affairs. As the Canal Minister, Mr. Salazar will also have the dual role of serving as Chairman of the Board for the Canal Authority. Mr. Salazar

succeeds Ricardo Martinelli, who resigned as Canal Affairs Minister in January 2003 to pursue presidential aspirations. Mr. Salazar has more than three decades of maritime experience in the private and public sector, which included the development and execution of maritime policy. In 1972 he began working with Japan Tuna, the shipping agent of the Federation of Japan Tuna Fisheries Co-operative Associations based in Panama, and served as the General Manager until 1989, when he was appointed Director of the National Ports Authority, which eventually became

the Panama Maritime Authority (AMP). As Director of the AMP, Mr. Salazar promoted and regulated all activities in the development and operation of Panama's port industry and represented Panama before the International Maritime Organization (IMO). He was also responsible for the Panamanian registry, the administration of marine and coastal resources and the fulfilling of provisions set forth by the United Nations Convention of the Law of the Sea. He represented Panama before the Permanent Ports Committee, the Association of American Ports, the International Organization of the Maritime Labor Sector, the Inter-American Committee for Tropical Tuna, the Tuna Atlantic Committee, and the International Association of Ports and Harbors, among others. Mr. Salazar, who holds a bachelor degree in Business Administration from Universidad Nacional de Panamá, is a member of the board of the Central American Maritime Transport Committee (COCATRAM).

Cruise Vessel Christened in Canal

On January 17, 2003, in an unprecedented and historic ceremony that took place in Canal waters, Panamanian President Mireya Moscoso pulled the lever that released a bottle of champagne to christen the luxurious cruise liner "Coral Princess" during her inaugural transit through Gatun Locks.

Phil Kleweno, President of Princess Cruises said, "In our 32 years of Panama Canal cruising, we've established a strong and beneficial relationship with Panama, so we feel President Moscoso is the perfect person to christen this ship, which was built specifically for Canal transit... As we offer more Panama Canal sailings than any other line and even plan to double our number of Canal cruises next year, we are delighted to have President Moscoso become the "godmother" of Coral Princess and to host the first naming ceremony in the Canal."



The Coral Princess in her maiden voyage through the Panama Canal.

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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.

Canal Transits and Cargo Information

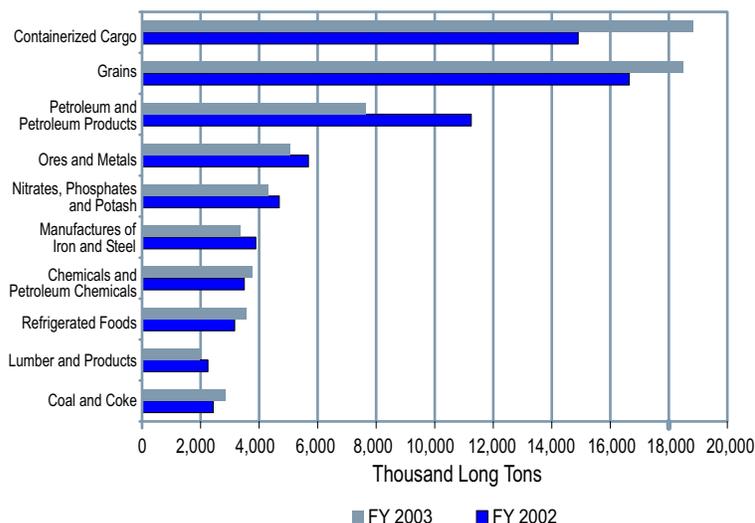
Available statistics for the five-month period (October-February) of fiscal year 2003 recorded a slight increase of 0.5 percent in commercial cargo tonnage to 78.7 million long tons from the 78.3 million recorded in the same period of fiscal year 2002, despite a sluggish U.S. economic performance and the industry-wide fear of an armed conflict in the Persian Gulf. Among the principal commodities that registered tonnage increases were containerized cargo, grains, chemicals and petroleum chemicals, refrigerated products, and coal and coke.

On the contrary, commodities with tonnage declines included petroleum and petroleum products, ores and metals, nitrates, phosphates and potash, manufactures of iron and steel, and lumber and products. Containerized cargo strengthened its position as the principal commodity transported through the waterway with a record 26.3 percent increase to 18.8 million long tons relative to the same period during fiscal year 2002. Overall, containerized cargo holds a 23.9 percent share of total Canal cargo tonnage.

Grains continued in second place, as tonnage levels for the first five months of the fiscal year rose by 10.9 percent to 18.5 million long tons, with increased demand for corn and soybeans. Petroleum and petroleum products, third commodity group in importance for the Canal, declined by 31.7 percent to 7.8 million long tons. This decline was the result of a reduction in the exports from Ecuador and Venezuela, which are the most important producers of the region and the key users of the Panama Canal within this segment. In addition to these events, the world economic slowdown has caused a contraction on the demand for crude petroleum of the OECD member countries, which is the case of the United States.

Cargo tonnage comparisons for the first five months of fiscal years 2003 and 2002 are illustrated in the enclosed chart.

Major Canal Cargo Flows October-February



Strong Trend by Panamax Vessel Transits

Preliminary traffic statistics for the first five months (October - February) of fiscal year 2003 registered a total of 4,893 oceangoing transits, a 0.4 per cent increase over the 4,872 transits recorded during the same period the year before. Transits by Panamax-size vessels, the largest that can fit Canal locks, totaled 2,012 with a robust 8.5 per cent upturn from the 1,855 transits in fiscal year 2002. The enclosed graph illustrates a monthly comparative breakdown by fiscal year. During this five-month period, Panamax-size vessels transits held a 41.1 per cent share of total oceangoing transits. In turn, full container ship and dry bulk carriers represented more than 60.0 per cent of oceangoing transits, with shares of 35.1 and 27.5 per cent, respectively.

Panamax Transits 100' Beam & Over

Month	FY 2002	FY 2003	% Change
Oct.	355	379	6.8
Nov.	389	397	2.1
Dec.	370	417	12.7
Jan.	395	421	6.6
Feb.	346	398	15.0
Total	1,855	2,012	8.5

MODERNIZATION PROGRAM

Canal Safety Record Improves

After achieving a remarkable safety record in the last two years, the Canal has further reduced the incidence of marine accidents. During the first quarter of fiscal year 2003, the Panama Canal registered a total of only four maritime accidents, a 33% reduction when compared against the six accidents that occurred during the same period last year.

Another notable achievement was the reduction in total average Canal Waters Time (CWT), the average length of time that it takes for a vessel to transit the Canal, including waiting time. CWT was only 22.4 hours, or 8.9 percent less than the 24.6 hours it took to transit during the same period last year.

These accomplishments have added significance considering that overall transits and cargo tonnage increased during the first quarter of fiscal year 2003. Vessel tonnage also increased 4.9 percent -- to 61,044,707 PC/UMS from 58,213,058 PC/UMS.

The reductions in the accident rates and average Canal Waters Time are the result of operational improvements and a strong emphasis on safety.

Navigational Tests in Gaillard Cut

The Canal has been conducting operational and navigational tests at the two northernmost reaches in Gaillard Cut, which represent almost 40% of the entire length of the Cut. These tests consist of carefully monitoring the actual approach, meeting and passing of various types of vessels sailing in opposite directions, particularly those of Panamax dimensions, the largest vessels the Canal can safely handle. Once testing has been completed in these two reaches, similar tests will begin in the remaining portions of Gaillard Cut.

The completion of the widening of Gaillard Cut marks the culmination of an important phase of the Canal's modernization program to increase Canal capacity. The increase in capacity is a significant improvement that represents tangible value to customers, by reducing waiting and overall transit time. From a strategic and global perspective it enhances the competitive value of the waterway.

Enhanced Security

The Panama Canal Authority is implementing new measures to enhance maritime security and prevent and suppress terrorist acts against shipping, which were adopted by the International Maritime Organization during the diplomatic conference of contracting governments to the Safety of Life at Sea Convention (SOLAS), held at the IMO London headquarters in December.

Significant advances have been made in the implementation of AIS for vessels transiting the waterway to be effective on July 1, 2003.

Additional upcoming Canal initiatives to comply with the new IMO security standards include installing shore stations capable of receiving alert signals from ship-to-shore alert systems and relaying this information to responding entities, acquiring underwater side scan sonar systems to inspect the hulls of transiting vessels, and developing electronic data exchange infrastructure to obtain information from vessels prior to their arrival.

Locks Maintenance

The following maintenance is currently scheduled for the Panama Canal locks through September 2003. Canal customers are reminded that they can monitor the nature and

Advisory Board Appoints New Members

The seventh meeting of the Panama Canal Authority (ACP) Advisory Board was held in Panama, on February 14-15, 2003. The Advisory Board discussed the implementation of the recently approved amendments to the SOLAS Convention and the International Ship and Port Facilitation Security Code, which will become mandatory on July 1, 2004. They also commended the Canal administration for the initiatives taken to improve security and the establishment of the Incident Management Center, a state-of-the-art facility. Mr. Isao Shintani, President, K-Line; Captain Wei Jiafu, President, COSCO; Dr. Ernst Frankel, Professor Emeritus, Massachusetts Institute of Technology; Dr. Aaron Gelman, Professor, Northwestern University Transportation Center; L.F. Rooney III, CEO, Rooney Brothers Company, and Admiral William J. Flanagan, Jr., Chairman & CEO, Skarven Enterprises, were officially appointed as new members to the Canal's Advisory Board. These new members have extensive experience in their respective fields, and they are internationally respected for their achievements and contributions. The next joint meeting of the Advisory Board with the ACP Board of Directors will be held in September in Copenhagen, Denmark.



During the Seventh Meeting of the Advisory Board headed by the Chairman of the Advisory Board, His Excellency Mr. William O'Neil, Secretary-General of the International Maritime Organization (IMO) and by His Excellency Mr. Jerry Salazar, Chairman of the Board of Directors of the ACP and Minister for Canal Affairs.

impact of these projects on transit capacity, or any changes in the maintenance schedule, by accessing the Canal's website at: www.panacanal.com and then clicking on the Maritime Operations' link.

PANAMA CANAL LOCKS MAINTENANCE SCHEDULE

Dates	Duration	Locks	Nature of Maintenance
June 2 - 12	11 days	Pedro Miguel	Rehabilitation of 1,514 ft. of locomotive track on west sidewall and centerwall
July 7 - 17	11 days	Miraflores	Rehabilitation of 2,127 ft. of locomotive track on southeast approach wall
July 7 - 17	11 days	Pedro Miguel	Conversion of 8 rising stem valves on east lane dry chamber
Aug. 11 - 22	12 days	Pedro Miguel	Rehabilitation of 2,445 feet on west wingwall
Sept. 15 - 25	11 days	Miraflores	Rehabilitation of 1,705 ft., on east approach wall
Sept. 15 - 25	11 days	Gatun	Dry chamber miter gates 9 - 10 - 17 - 18

Outreach Efforts

Panama Canal Delegation Visits the East Coast Ports of the United States

From February 18-27, Mr. Rodolfo R. Sabonge, Corporate Planning and Marketing Director and members of his staff met with U.S. East Coast Ports officials to discuss topics of mutual interest related to the increase in all-water services. The visit included the Port of Charleston, S.C.; Norfolk, VA; Philadelphia, PA; New York/New Jersey; Houston, TX; New Orleans, LA; and Miami, FL.



From left to right: Virginia Port Authority, Mr. Gregory Edwards, Director Marketing & Intermodal; Ms. Sara Rivadeneira, ACP Customer Relations Specialist; Virginia International Terminals, Inc., Mr. Joseph A. Dorto, CEO & General Manager; and Mr. Rodolfo Sabonge, ACP Corporate Planning & Marketing Director, during their visit to the Virginia Port Authority.

ACP Sponsored Expo Trans 2003

The ACP co-sponsored Centennial Expo Trans 2003, a transportation conference that was hosted by the United States-Panama Business Council (USPA) from January 27 to 29, 2003 in Panama City. The purpose of this event was to highlight the advantages of available resources and infrastructures in Panama for the establishment of a multi-modal transportation hub.

Mr. Rodolfo R. Sabonge, Corporate Planning and Marketing Director, was the speaker of a forum in which he made a presentation on "The Panama Canal: Preparing for the Future".

Canal Offers Maritime Training

The Panama Canal Authority is pleased to announce that maritime training courses are now being offered to the maritime community at the Canal's Maritime Simulation, Research and Development Center (SIDMAR). The center is equipped with state-of-the-art full mission bridge simulators.

SIDMAR, located in Balboa, offers regular and customized courses where the attendees have the opportunity to learn from experienced instructors and perform hands-on training utilizing two full mission bridge simulators, one of 150 and other of 360 degrees of visual; tugboat and fire simulators; and the training vessel Atlas.

SIDMAR offers courses such as, Bridge Resource Management, Basic Marine Firefighting, Advanced Marine Firefighting and Emergency Response Plan courses, developed in accordance with the International Convention on Standards of Training, Certification and Watchkeeping for Seafarers (STCW 78/95).

The establishment of SIDMAR places the ACP at the forefront in training services to maritime personnel at all levels. For information on the above courses and training needs, please contact our simulator center by phone at (507) 272-4249, by fax at (507) 272-3222 or you may send your message by electronic mail to sidmar@pancanal.com.

ACP Signs U.N. Global Compact

On December 11, 2002, Canal Administrator Alberto Alemán Zubieta signed the United Nations Global Compact, an initiative led by United Nations Secretary General Kofi Annan, for encouraging and promoting good corporate practices and learning experiences that will help build the social and environmental pillars required to sustain the new global economy and make globalization work for all the world's people.

By adhering to the Global Compact, the ACP supports and embraces a set of core values in the areas of human rights, labor standards and environmental practice. At the signing ceremony, Panama Canal Administrator Alberto Aleman Zubieta said: "We, at the ACP, are honored to be a part of this historic initiative. For nearly one hundred years, the Panama Canal has been bringing nations closer together through commerce. Today, we join other international institutions who are committed to ensuring responsible global commerce that benefits the people of all nations."

We want your comments

Your comments and suggestions are very important to us. If you would rather receive it electronically, please send us a note with your correct email address to: customerrelations@pancanal.com. If you need additional copies mailed to other officials within your corporation, please contact us at the address indicated in the next box.

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