

# THE PANAMA CANAL

December 2003

## Message from the Administrator



As this year comes to an end, we would like to take a moment to thank you for your loyal support and continued business. This has been a very special year for the Canal, as we proudly celebrate the Centennial of our nation. The colorful festivities were a clear expression of

Panama's will and determination to live in freedom and independence, while valuing our strategic importance as the crossroads for world trade.

Four years have passed since the transfer of the Canal to Panamanian stewardship. During this period, we have made significant strides towards serving our customers better while improving safety and security.

Today, the Canal has embarked on a permanent modernization plan that includes investments in capacity and improvement projects to meet the immediate needs of our customers. Some of these projects include the acquisition of new floating equipment and technology related improvements. Orders have been placed for the purchase of 34 new towing locomotives at a cost of more than \$2 million each. Although a physical widening and deepening of the waterway in recent years, along with other improvements, has already created added capacity, the long-term needs of our customers remain crucial to our long-range planning efforts.

Our investments have reaped valuable benefits. Total Canal Waters Time has been reduced from 32.9 hours in 1999 to 22.5 hours in 2003, representing a 35 percent decrease in overall waiting and transit time. This noteworthy decrease reflects the Canal's capability to handle a record number of transits by Panamax-sized vessels (which use more transit resources) and to sustain transits by a broad mix of other vessel types. In addition, the Canal set a new safety record with a 30 percent reduction in vessel accidents. This translates into greater reliability, savings and efficiency for all Canal users. These

accomplishments serve as a reminder to the ACP to quickly respond to the demands of our customers, who greatly value time, safety and reliability.

Recent world events have brought additional challenges, as the implementation of new security measures to comply with the requirements of the ISPS code have produced a heightened awareness of the need for good security. Your cooperation and compliance with these international standards will result in a safer Canal, benefiting all users.

To build stronger bonds within the maritime industry and other business sectors, the Canal participated in major international maritime exhibitions and conferences, locally and abroad. Involvement in these events, combined with visits to Canal customers, has been an effective tool in gauging levels of customer satisfaction, as well as serving as an outlet for exchanging views and ideas.

The signing of the Memorandums of Understanding (MOU) with the East and Gulf Ports of the United States are indicative of the Canal's shift in its philosophy to operate as a business, rather than a profit-neutral utility. The MOUs create a partnership to work together by sharing data and market intelligence, exchanging ideas and engaging in joint marketing and promotion (e.g., sharing market studies and plans for improvement projects). These strategic alliances seek to boost trade via the "All-Water Route," the trade link between Asia and the East Coast by way of the Panama Canal. Known as the "best deal in shipping," this route is the most reliable, safe and economical means of bringing Asian goods to U.S. consumers. The "All-Water Route" continues to surge and container trade is greater than ever positioning itself as the number one commodity though the Canal, representing 25 percent of total cargo shipments.

For the New Year, we pledge to improve service wherever possible and your suggestions are always welcome.

On behalf of the ACP, I would like to wish you a prosperous new year and look forward to working with you.

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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;

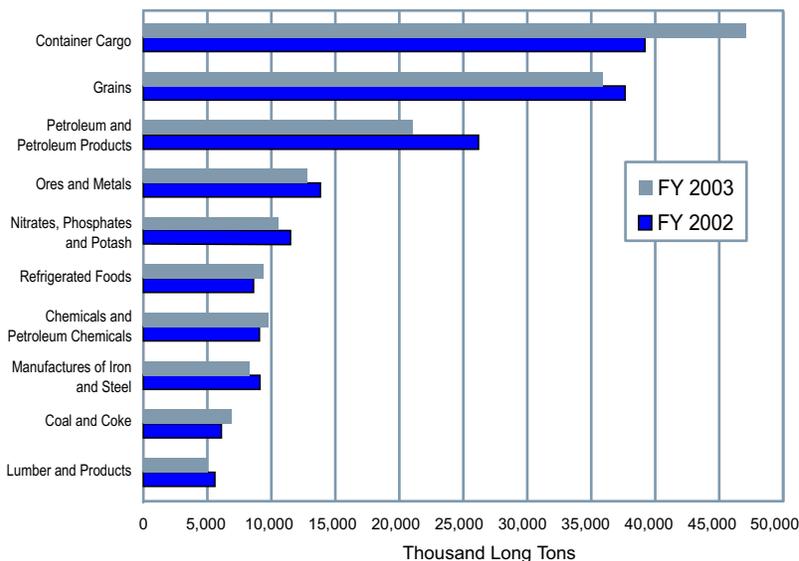
**CORNERSTONE** of the global transportation system and driving force of Panama's progress and growth;

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

## FY 2003 Canal Cargo Information

Canal data for the twelve months (October 2002-September 2003) of fiscal year 2003 reflected a marginal increase of 0.2 percent in commercial cargo tonnage, totaling 188.3 million long tons. The main driver of growth was containerized cargo, which recorded nearly 47 million long tons, with an 18.8 percent growth compared to the prior fiscal year. Some increased cargo movements at the Canal were attributed to the labor disputes that occurred on the U.S. West Coast ports in the latter part of 2002. Overall, a number of new services and utilization of vessels with larger cargo carrying capacity, augmented cargo levels through the waterway. Another contributing factor was the increasing demand for manufactured goods originating in Mainland China and destined for distribution centers located on the East Coast of the United States.

**Major Canal Cargo Flows October-September**



Grains were the second most important commodity, recording nearly 35.7 million long tons or 19 per cent of total cargo movements via the Panama Canal. During fiscal year 2003, tonnage levels dropped by 5.4 per cent from a year before, mainly due to heavy rainfall in the United States that affected crop harvests. Healthy wheat and soybean shipments

contributed to Canal tonnage, but not in sufficient quantities to offset the slowdown in corn exports from loading centers in the U.S. Gulf destined for the Far East market.

## Panamax Record-Breaking Year

This fiscal year, which ended on September 30, 2003, the Canal experienced record transits by Panamax-size vessels, the largest vessels the Canal can presently handle. More specifically, Canal statistics reflected all-time highs of 4,737 transits by vessels in this category, a 3.8 percent surge from the 4,565 transits registered in fiscal year 2002. Panamax-size transits now comprise more than 40 percent of total oceangoing transits at the waterway. This strong performance also helped to boost total commercial cargo tonnage throughput at the Canal despite a slight downturn of 1.1 percent in total oceangoing transits for the year.

For the first time in Panama Canal history, transits by full containerships, particularly those in the 100 foot-beam and over category, displaced dry bulk carriers by representing a 20.2 per cent share of total oceangoing transits. The adjoining graph illustrates a monthly comparative of Panamax-size vessel transits by fiscal year.

**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%
Mar.	383	417	8.9%
Apr.	383	376	-1.8%
May	383	398	3.9%
June	390	364	-6.7%
July	404	411	1.7%
Aug.	403	392	-2.7%
Sept.	364	367	0.8%
Total	4,565	4,737	3.8%

## TENTATIVE SCHEDULE OF LOCKS OUTAGES FOR REMAINDER OF YEAR 2003 AND 2004

Dates	No. Of Days	Miraflores	Pedro Miguel	Gatun	Daily Transit Capacity	Status
Dec 4 - 5, 2003	2	-	-	Lane Outage	26 - 28	Confirmed
Jan 14 - 16, 2004	3	Lane Outage	-	-	30 - 32	Tentative
Feb 4 - 6, 2004	3	Lane Outage	-	-	30 - 32	Tentative
May 31 - June 10, 2004	11	-	-	Lane Outage	26 - 28	Tentative
July 5 - 15, 2004	11	-	Lane Outage	Lane Outage	26 - 28	Tentative
August 9 - 19, 2004	11	-	-	Lane Outage	26 - 28	Tentative
Sept 13 - 23, 2004	11	-	-	Lane Outage	26 - 28	Tentative
Oct 18 - 28, 2004	11	-	-	Lane Outage	26 - 28	Tentative
Dec 2004	3	-	-	Lane Outage	26 - 28	Tentative

For additional information visit our website [www.panacanal.com](http://www.panacanal.com)

## Upgrading of ACP Locomotive Fleet Continues

The Panama Canal Authority (ACP) has exercised an option for the purchase of 34 additional locomotives from the Mitsubishi Corporation, at a cost of more than \$2 million per unit. These locomotives are part of the newer generation of locomotives that the Canal has been acquiring for several years to phase out older models. The new ones have 50 percent more towing power and have a much faster return speed than the early models, which will help reduce the time vessels spend transiting the locks. The plan is to replace the whole locomotive fleet and this should be completed in the next three years. The main function of the locomotives is to keep ships centered in the lock chambers through cables attached to the vessels as they pass through the Canal's locks. The Canal under Panamanian stewardship has been committed to modernizing its locomotive fleet, an essential component for safe, reliable and efficient transits.



*New Mitsubishi locomotive*

## Maritime Industry to Discuss Outlook for All-Water Services and Transshipment Hubs at TOC2003 Americas

The growth of all-water Asia-U.S. services via Panama and prospects for transshipment versus direct call service are two of the hot topics to be debated by senior shipping and port industry representatives at the third annual TOC Americas conference, taking place 2-4 December at the El Panama Hotel, Panama City.

Continued diversification of trade routes into the U.S. for Asia cargo would have tremendous implications for investment in America's marine terminal network. Senior executives from the Panama Canal Authority, Maersk Sealand, Port of New York and New Jersey, South Carolina State Ports Authority, Port of Miami, Port of Houston Authority, Port of New Orleans, Georgia Ports Authority and Virginia International Terminals will share their opinions on the capacity required to handle Asian trade growth and the impact of all-water services into the U.S. East Coast. The debate will include a briefing by the Panama Canal Authority on the latest status of plans to widen the Canal.

For more information please visit: [www.toc-events.com/tocamerica](http://www.toc-events.com/tocamerica) or e-mail [cust.serv@informa.com](mailto:cust.serv@informa.com)

## Cruise Destination: Panama

For many years, the splendor of the Panama Canal has attracted cruise operators and travel agents to include the waterway as a choice destination in their cruise travel packages. From the deck of the vessel or from the relaxed comfort of luxurious temperature controlled staterooms, cruise passengers can experience a transit of the Canal, and view up close the tropical flora and fauna, along with the grandeur of the eighth wonder of the world and the magnificence of this engineering feat. New modern cruise terminals offer tourists the option to disembark in a safe, clean environment and enjoy shore excursions that include tropical rain forests; the burial site of Sir Francis Drake; historic fortresses where gold, silver and precious gems were protected while they awaited transshipment on galleons; aquatic sports and activities; tax free shopping and much more.

A transcontinental railroad, which runs parallel to the waterway, provides a one-hour journey that gives tourists a very interesting perspective of the Canal. The train even travels through the jungles of Panama, which is home to an enormous variety of plants and animals in their habitat. The path of the train runs near Pipeline Road, which is considered one of the most ideal bird watching locations in the hemisphere, because of the high concentration and variety of birds in that area. Panama has long been considered one of the leading sanctuaries in the world for bird watching particularly during migratory periods.

More information concerning tourism options and activities in Panama can be obtained by accessing our web site at [www.pancanal.com](http://www.pancanal.com).



*A cruise vessel transits the Panama Canal locks*

## Port Industry Day

The Port Authority of New York & New Jersey recently sponsored Port Industry Day. Panama Canal Administrator Alberto Alemán Zubieta was invited on October 9 to be a speaker at this event, which was attended by more than 600 maritime executives. His presentation covered the progress of the Panama Canal modernization and improvement programs, the record reduction in maritime accidents and lower Canal Waters Time. He also outlined a number of other benefits that the all-water route through the Canal offers to make it the preferred transportation alternative.

## Panama Celebrates its Centennial and its Growing Importance as a Transportation Hub

On November 3, 2003, the Republic of Panama proudly celebrated its 100th anniversary as a free nation. The separation of Panama from Colombia in 1903 was far more than a fervent expression by the Panamanian people to live independently. It was a manifestation of the strategic importance of the Isthmus of Panama and its treasured value to world trade dating back to the days of the conquistadors.

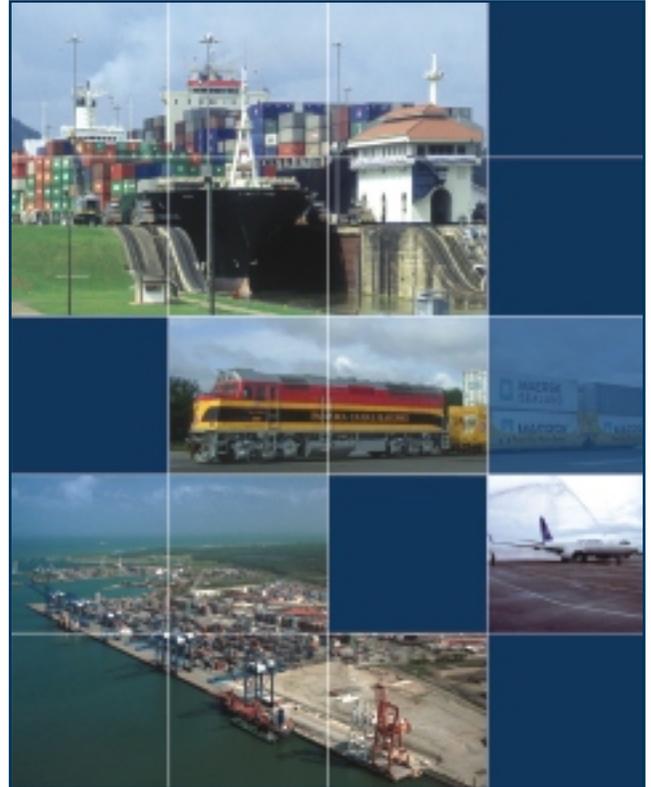
The construction of the Panama Canal, port facilities and other maritime operations in the early 1900's created enormous new opportunities for Panama. For decades, that infrastructure fulfilled the Canal's mission and specific international treaty agreements. More recently, a new treaty provided the setting for several major events and established the present climate, which is catapulting Panama's maritime development as a new transportation hub. These events include the transfer of the Panama Canal to Panamanian stewardship, which restructured the waterway, to perform more like a corporate entity; the privatization of Canal area ports and the railroad that have undergone extensive investment and rehabilitation.

Every year, more than 13,000 vessels carrying nearly 200 million long tons of cargo transit the Panama Canal, which serves more than 140 different transportation routes providing a global link between ports, commodities, and consumers. The size of vessels using the Canal is also increasing, particularly with regard to container vessels, to respond to the growth in trade and the simple logic of greater economies of scale.

The Panama Canal has long been perceived as the most economical highway for the mass movement of trade. World-class port facilities such as the Manzanillo International Terminal (MIT), Panama Ports, and the Colon Container Terminal are constantly raising the bar to provide service levels previously unheard of in Panama. The fully rehabilitated Panama Canal Railway, which offers double stack service, has been the special link that brings all of these ports together by delivering new service options with a large capacity margin.

The Colon Free Zone, the second largest international distribution center in the world, is ideally situated adjacent to the port, highway and railroad systems, facilitating the re-distribution of an enormous variety of products between Asia and the large global markets, including Latin America and the Caribbean. Air connectivity is also available through major airlines, which link shippers to

virtually every corner of the globe, especially the growing north-south axis between North, Central and South America and the Caribbean. In addition, Panamanian corporate laws have consolidated the country as a preferred world tax haven, contributing to make of Panama one of the business centers of the world.



**Panama's Transportation Hub**

## Upcoming Events

ACP Administrator, Alberto Alemán Zubieta, and/or members of his staff will attend the events listed below. If you are interested in meeting with a Panama Canal representative in your area of interest, please contact the Customer Relations Unit at 011-507-272-1747 or send e-mail to [customerrelations@pancanal.com](mailto:customerrelations@pancanal.com)

### January 2004

Annual Transportation Research Board (TRB)  
83rd Annual Meeting

Date: January 11-15, 2004

Place: Washington, D.C.

AAPA Latin American & Caribbean Executive  
Management Conference

Date: January 28-30, 2004

Place: Miami, Florida

## 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](mailto: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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(then click on "Canal News")