



THE PANAMA CANAL

June 2004

Shift to Paperless

Through the use of new technology, the Panama Canal has taken another step toward shifting to a paperless environment under an "Automated Data Collection System" (ADCS). The ADCS, which has already been activated and will be fully implemented on July 1, 2004, will be a more efficient, accurate and reliable system for sending, receiving, and processing vessel information. Using this system, all vessels, including small craft under 125 feet in overall length, desiring to transit the Canal, or enter one of the terminal ports, must report all data to the ACP 96 hours before arrival in Canal waters.

The new system is divided into two main components:

1. Electronic Data Collection System (EDCS): which provides the electronic reception of all preliminary information required for security and operational purposes.
2. Mobile Data Collection System (MDCS): which allows wireless communication between the EVTMS database and the handheld devices to be carried by the ACP admeasurers, boarding officers, and Canal Protection Officers (CPO).

Implementation of the ADCS will also help place the Canal in compliance with increased security

standards established by the International Maritime Organization (IMO). The IMO amended the Safety of Life at Sea (SOLAS) convention, and provided for the inclusion of an International Ship and Port Facility Security (ISPS) code, which will become mandatory on July 1, 2004. The SOLAS amendments and the ISPS code contain worldwide measures aimed to enhance maritime security.

The ACP started designing and developing the new ADCS system in January 2003 to prepare for the new requirements defined by the ISPS code. This system will contribute to achieve the best level of security by improving the process of data submission needed for security verifications and transit operations.

Special waivers exempting the submission of container location (stowage) have been issued for containerized cargo (Cargo Declaration Form). Vessels not transiting the Canal, but calling local ports located within the Canal area, are only required to submit a dangerous cargo declaration.

For more details regarding the ADCS, please refer to the Maritime Operations link of the Panama Canal Authority's web site at www.pancanal.com.

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At the Top of the World

Canal Receives ISPS Certification

On April 21, 2004, the Panama Canal Authority (ACP) received the International Ship and Port Facility Security (ISPS) certification from the American Bureau of Shipping Consulting, a subsidiary of the American Bureau of Shipping (ABS). As a Recognized Security Organization (RSO), ABS played a key role in assisting the ACP meet this goal well in advance of the July 2004 implementation date.

The certification is a result of exhaustive planning and execution of the Panama Canal's security plan. With it, the ACP becomes the first installation in Panama, and one of the first in Latin America, to complete the requirements of international security regulations aimed at protecting the shipping industry against terrorist attacks.

Safety is integral to the Panama Canal. Compliance with these new requirements demonstrates the ACP's commitment to being a world-class service provider to the maritime industry.



Alex Weisselberg, Vice President of ABS Latin America and Alberto Alemán Zubieta, ACP Administrator.

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.

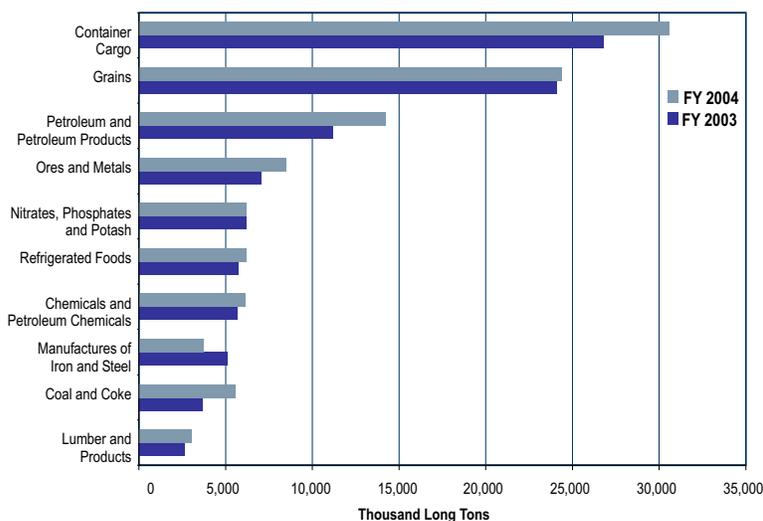
Solid Cargo Growth

During the first seven-months (October-April) of fiscal year 2004, nearly every major Canal commodity registered growth. Preliminary data for the period indicates a strong 9.5 percent increase in commercial cargo tonnage to 121.7 million long tons from the 111.1 million recorded in the same period of fiscal year 2003, driven primarily by a recovery in U.S. economic performance. Among the principal commodities that registered tonnage increases were containerized cargo, grains, petroleum and petroleum products, ores and metals, refrigerated products, chemicals and petroleum chemicals, coal and coke, as well as nitrates, phosphates and potash, and lumber and products. On the other hand, manufactures of iron and steel, and automobiles and parts were the only commodities registering tonnage declines.

Containerized cargo continues to be the leading commodity transported through the waterway, with a 14.1 percent increase to 30.6 million long tons relative to the same period during fiscal year 2003. Overall, containerized cargo boasted a 25.1 percent share of total Canal cargo tonnage. Grains continued in second place, as tonnage levels for the first seven months of the fiscal year increased by 1.2 percent to 24.4 million long tons. Petroleum and petroleum products, the third commodity group in importance for the Canal, grew by 26.9 percent to 14.2 million long tons. The ongoing vigorous and rapid growth in the container segment, and strong gains in the various bulk sectors continue to fuel rising interest in larger vessels that deliver greater economies of scale. The Canal administration is incorporating these dynamics into its Canal alternatives studies.

Cargo tonnage comparisons for the first seven months of fiscal years 2004 and 2003 are illustrated in the adjoining chart.

Major Canal Cargo Flows October-April



Canal Traffic Up, Outlook Positive

Preliminary traffic statistics for the first seven months (October-April) of fiscal year 2004 recorded a total of 7,394 oceangoing transits, a 5.5 percent increase over the 7,010 transits recorded during the same period last year. Transits by Panamax-size vessels, the largest that can fit through the Canal locks, totaled 3,116 with a robust 11.1 percent upturn from the 2,805 transits registered during the same months of fiscal year 2003. These important changes in the traffic mix are crucial to the analysis for the timely implementation of Canal capacity enhancement projects, which will maintain the waterway as the preferred alternative over the long term.

As the U.S. and other major world economies continue to rebound, the outlook for Canal traffic is positive. The adjacent table illustrates a monthly comparative breakdown by fiscal year. During this seven-month period, Panamax-size vessels transits held a 42.1 per cent share of total oceangoing transits.

Panamax Transits 100' Beam & Over

Month	FY 2003	FY 2004	% Change
Oct.	379	429	13.2%
Nov.	397	464	16.9%
Dec.	417	468	12.2%
Jan.	421	437	3.8%
Feb.	398	420	5.5%
Mar.	417	453	8.6%
Apr.	376	445	18.4%
Total	2,805	3,116	11.1%

Bringing China to the U.S. East Coast

On April 7, 2004, Panama Canal Authority Marketing Director, Mr. Rodolfo Sabonge, participated in a roundtable discussion at the Third Annual Conference on China, held in Savannah, Georgia, with the topic "Bringing China to the East Coast". Mr. Sabonge highlighted the remarkable growth of the all-water route stating that, "We had 400,000 containers move through the Canal in 1999 and 1.6 million in 2003. A lot of that has to do with growth in trade between China and the U.S. East Coast. We're looking at continued growth in this area and planning accordingly."

A Panama Canal Master Plan, that considers various alternatives to handle further projected growth in commodity movements through the waterway, is scheduled to be released this year.



Coral Princess transits the Gatun Locks.

Cruise Transits Up Sharply

The ACP Cruise Season, traditionally spanning from the fall through the spring of the following year, (October-May), is wrapping up with a robust finish. Preliminary Canal traffic figures through April 30, 2004 recorded 245 transits in the cruise segment, an upturn of 62 transits more compared to the same period of the previous fiscal year. A stellar Canal cruise season is expected once the overall transit statistics are delivered for the month of May. After two consecutive seasons of just under 210 transits, the cruise segment has experienced a strong recovery, mainly driven by the enhancement of security measures at North American ports, the overall United States economic recovery, as well as repositioned cruises via the Panama Canal offered by major lines such as Princess Cruises.

Comments from the Seatrade Cruise Shipping Convention held earlier this year in Miami Beach, Florida, were that the cruise industry expects continuous growth in passenger volumes this year to keep pace with increased capacity, with many lines reporting record booking volume and moderate

pricing gains. According to Mr. Mark Conroy, Chairman of Cruise Lines International Association and President of Radisson Seven Seas Cruise, the forecast for 2004 is 10.6 million passengers, up 11.5% from 2003 - with half the volume expected to be first time cruisers. At the same time, the industry is experiencing a huge boost in capacity. Thirteen new vessels were added in 2002; 15, in 2003 and another 12 will be delivered this year.

Interest in cruises to Latin America has increased partially due to improvements made at destination port facilities, enhanced onboard and landside security, more favorable monetary exchange rates in the hemisphere, and greater selection and flexibility in scheduling itineraries. Panama has been one of the beneficiaries of increased port calls by luxury cruise vessels, and the unique experience of a tropical cruise through the Canal continues to be a very popular attraction. Among the good news that we have for the next cruise season is the arrival of the first Disney cruise line vessel in May 2005.

TENTATIVE SCHEDULE OF LOCKS OUTAGES

Dates	No. of Days	Miraflores	Pedro Miguel	Gatun	Daily Transit Capacity	Status
May 31 - June 10, 2004	11	Lane Outage	-	Lane Outage	26 - 28	Tentative
July 5 -15, 2004	11	-	-	Lane Outage	26 - 28	Tentative
August 9 -19, 2004	11	-	Lane Outage	Lane Outage	26 - 28	Tentative
September 13 - 23, 2004	11	-	-	Lane Outage	26 - 28	Tentative

For additional information, visit our website www.pancanal.com

Track Replacement Advancing Well

The locks locomotive tow track replacement project that started in fiscal year 1997 has advanced significantly. This project, scheduled to be finished by fiscal year 2005, is currently 74 percent complete overall. Pacific side locks, Miraflores and Pedro Miguel, are currently 94 and 91 percent complete respectively, and Gatun is 47 percent complete. Priority was given to Miraflores and Pedro Miguel due to the arrival of the new generation of towing locomotives at these locations. Efforts are now being concentrated in Gatun for the next two years to bring all three locks to completion as planned.



Locks locomotive tow track rehabilitation

The new track system will substantially reduce any track related delays in the future. This system is designed to handle higher return speeds for new locomotives, which will improve throughput at the locks. Another important benefit of the new rail is its capacity to withstand greater loads when towing or braking vessels within the lock chamber, particularly Panamax-size vessels, which are increasingly gaining a larger share of total transits.

For Canal customers, completion of the track rehabilitation program will mean fewer transit delays associated with locks lane outages for track maintenance, and improved Canal Waters Time.

ACP participates in World Shipping Council meeting and Ports 2004

On March 17, 2004, Panama Canal Administrator Alberto Alemán Zubieta met with members of the World Shipping Council (WSC) to strengthen ties and share information on the initiatives being adopted by the ACP in matters of security, transit reservations,

modernization and the Canal Master Plan. Representatives of the major container lines, who are members of the WSC as well as customers of the Canal, participated in this meeting. Mr. Alemán provided an update on the ACP's planned implementation of the new Automated Data Collection System (ADCS) on July 1, 2004. It is worth noting that the ADCS was one of key issues covered by Christopher Koch, President and CEO of the WSC, during a conference on maritime security held in Panama in December 2003.

Furthermore, Panama Canal Administrator, Alberto Alemán Zubieta, participated as a keynote speaker in the Ports 2004 Conference titled "Port Development in the Changing World". The event took place on May 23 - 26, 2004, in Houston, Texas, and it was co-sponsored by the Ports and Harbors Committee of the American Society of Civil Engineers (ASCE); the Coasts, Oceans, Ports and Rivers Institute (COPRI); and the U.S. Section of the Permanent International Navigation Association Congress (PIANC). The conference was co-hosted by the Port of Houston Authority, with whom the Panama Canal Authority subscribed a Memorandum of Understanding in July 2003. Mr. Alemán Zubieta addressed the audience on the "Changes in World Economy, Trade, Transportation and Technology".

At the Top of the World

In May, Andrónico Luksic, Vice President of Banco de Chile, one of Chile's most important banks, and a member of the ACP Advisory Board, reached the top of Mount Everest. His extensive planning and training for this spectacular event demonstrate his relentless pursuit of success.



Andrónico Luksic, while pursuing his quest at Mount Everest

Throughout his life, Mr. Luksic has been characterized for his leadership and dynamism. His determined personality and vision are extremely valuable to the ACP Advisory Board.

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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