

THE PANAMA CANAL

September 2004

Ninety Great Years



On August 15, 1914, the world changed forever. For decades, scores of explorers and engineers had dreamed of connecting the two great oceans of the world. They dreamed of something so extraordinary and radical that some derided their mighty ambition. Ninety years ago, that dream became a reality when the SS Ancon began its journey crossing from the Atlantic Ocean through the Canal to the Pacific. The sacrifices of the hundreds of thousands who worked tirelessly to make the Canal a reality were enormous - many gave their lives. Today, the Canal plays a crucial role in global commerce. The opening of the Canal was historic, and it remains as relevant and important today.

Readyng itself for the future, the Panama Canal seeks to maintain its commitment to the maritime industry while providing the best value to its customers. Recent and ongoing projects include widening of the Gaillard Cut; deepening of Gatun Lake; modernizing the locomotive fleet and replacing the locomotive tow tracks at Gatun Locks; implementing an electronic system to send and receive data to and from vessels planning to transit the Canal and implementing a new navigation system to track and monitor Canal traffic. Conscious of its importance to world trade and the evolving changes in the maritime industry, the Panama Canal is now developing the Master Plan that will provide the roadmap for its future.

Key Personnel Changes



On August 13, the new President of Panama, Martín Torrijos Espino, announced the appointment of Dr. Ricaurte Vásquez M., former Deputy Administrator of the Panama Canal Authority (ACP), as Minister of Finance and Economy and President of the ACP Board of Directors. Dr. Vásquez has a long and distinguished record in the international and local financial circles, and his experience with the operations of the waterway, as well as his leadership in financial

management at the Canal is highly recognized.

Effective September 1, 2004, Mr. Manuel Benitez, former Director of the Department of Industrial Services, is the designated acting deputy administrator of the ACP. With a 26-year career at the Panama Canal, Mr. Benitez has held managerial positions both in the Maintenance and Electrical Divisions. Through his tenacity and hard work, he has made important contributions to 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.

MIT named "Best Container Terminal in the Caribbean"

On October 19, 2004, Manzanillo International Terminal (MIT) was named "Best Container Terminal in the Caribbean" during the 34th Annual Banquet of Caribbean Shipping Association, held in Cartagena, Colombia. The award was given after an assessment on the performance of the Caribbean ports in calendar year 2003, and it is a recognition to those ports in the region that have achieved high levels of excellence in the delivery of sea port services. This is the third time that MIT has been recipient of this award.

MIT is a transshipment center for the handling of import/export of containers, ro-ro and breakbulk cargoes. It is located near the Atlantic entrance of the Panama Canal immediately adjacent to the Colon Free Trade Zone (CFZ), and it offers port services to shipping lines transiting the Panama Canal or serving the Caribbean Region.



A panoramic view of MIT

Panama Canal Traffic Update

The Panama Canal recorded 12,518 oceangoing transits for the twelve months of fiscal year 2004, a 6.8 per cent increase from the 11,725 oceangoing transits a year before. Overall, Canal traffic performance benefited from a worldwide economic recovery. Panamax-size vessels, those of 100-foot beam and over, registered 5,329 transits, a remarkable rise of 12.5 per cent over the previous year total. During this twelve-month period, Panamax-size vessels transits held a 42.6 per cent share of total oceangoing transits.

The enclosed graph illustrates a monthly comparative breakdown by fiscal year.

Panamax Transits

100' Beam & Over

Month	FY 2003	FY 2004	% Change
Oct.	379	428	12.9%
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%
May	398	473	18.8%
June	364	452	24.2%
July	411	435	5.8%
Aug.	392	444	13.3%
Sep.	367	410	11.7%
Total	4,737	5,329	12.5%

Panama Canal Sets New Safety Record

The Panama Canal Authority (ACP) has continued to set new safety records at the waterway with a further reduction in the number of accidents during fiscal year 2004.

Out of a total of 14,035 transits, only 10 accidents were recorded. This figure is two less than the official figure for the previous year.

This improvement in safety is particularly notorious considering that transits increased, especially in the larger Panamax-class vessels, which increased by 12.5% in 2004 to more than 5,000 transits.

Increased safety in the face of the growing challenge of keeping up with demand for the waterway is attributed to the expertise of ACP's workforce and the permanent modernization program.

Demand for Canal Services Keeps Growing

Two hundred and sixty seven million Panama Canal/Universal Measurement System (PC/UMS) tons were transported through the Canal during the 2004 fiscal year - nearly a 10 percent increase from fiscal year 2003. This marked increase was primarily attributed to a rise in transits by Panamax-sized vessels, particularly containers.

"We've been working hard to improve our services, optimizing the Canal's value and efficiency. This increase reflects our clients' confidence in the Canal's reliability. As the Canal makes every effort to increase capacity to match demand, we at the ACP are presented with great opportunities and challenges," said ACP Administrator Alberto Alemán Zubieta. In FY2004, 592 more Panamax-sized ships transited the Canal, compared to numbers reported for FY2003. These vessels have greater capacity, moving more containers in a single transit.

ACP Receives ISO 9001:2000 Certification

In July 2004, the Panama Canal Authority Safety Division received ISO 9001:2000 certification resulting from an audit of its Quality Management System (QMS) performed by Det Norske Veritas (DNV).

The ACP sought the certification because of its firm commitment to innovative management. Receiving it confirms that the ACP is implementing robust management procedures that enhance Canal reliability, efficiency and safety. The Panama Canal is the largest area to be ISO 9001:2000 certified - in addition to being the only "World Wonder" to have undergone the process, according to Alan Marsh, president of the Stat-A-Matrix group.



Container vessel transiting the Panama Canal.

TENTATIVE SCHEDULE OF LOCKS OUTAGES

Dates	No. of Days	Miraflores	Pedro Miguel	Gatun	Daily Transit Capacity	Status
November 10-12, 2004	2	-	-	Lane Outage	26 - 28	Tentative
November 17-19, 2004	2	Lane Outage	-	-	26 - 28	Tentative
December 16 - 17, 2004	2	-	Lane Outage	-	26 - 28	Tentative

Revisions to On-deck Cargo Charges

The ACP is currently considering a change to the present method of charging for containers, which would measure the total number of on-deck containers that the vessel could carry and would therefore differ from the current practice that limits the charge to about 8 per cent of the vessel's total on-deck container carrying capacity.

The revised system would introduce a new fee structure separate from tonnage, which would be based on a per unit charge for containers carried on-deck. The ACP proposes to adopt this charge based on today's industry standard for a Twenty-foot Equivalent Unit (TEU), that is, 20'x8'x8.5' in size. Using the new fee structure, the cost per ON-DECK TEU would be approximately \$40 per TEU.

To avoid double counting, the Canal rules of admeasurements would be adjusted so as not to include the on-deck portion in the PC/UMS Net Tonnage formula that is in effect today. Therefore, it is proposed that the PC/UMS Net Tonnage formula would no longer include a portion of the volume of the maximum capacity of containers which the vessel could carry on-deck, but instead two separate charges, one a tolls charge and one an on-deck per TEU charge.



The Canal continues to operate vessels as efficiently as possible given its present capacity. In August, five "extreme-sized" Panamax vessels (more than 900' in overall length) transited successively through the waterway's Gatun Locks.

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.

Canal Implements Shipboard Oil Pollution Emergency Plan

Effective January 1, 2005, the Panama Canal Shipboard Oil Pollution Emergency Plan Requirements (PCSOPEP) will be implemented.

The PCSOPEP seeks to implement emergency preparedness strategies for Panama Canal waters. It will also aid the ACP in maximizing efficiency while lowering the risk of spills and emergencies by safeguarding life, reducing the impact on the environment, and ensuring the continuous operation of the Canal. The PCSOPEP requirements are available in the enclosure of Advisory A-25-2004 at the Maritime Operations link of the Panama Canal Authority's website at www.pancanal.com.

ACP Administrator Visits Chile

In early August, Panama Canal Administrator Alberto Alemán Zubieta, Rodolfo Sabonge, Corporate Planning and Marketing Department Director, and Jorge L. Quijano, Maritime Operations Director, met with representatives of major shipping lines and maritime associations in Chile to exchange views and strengthen ties. The organizations visited included Compañía Sudamericana de Vapores, S.A. (CSAV), Compañía Chilena de Navegación Interoceánica S.A. (CCNI), Sociedad Naviera Ultragas Limitada, Cape Tankers, Asociación Nacional de Armadores de Chile, and Asociación de Exportadores de Chile (ASOEX). Chile is the fourth largest user of the Panama Canal.



Visit to Compañía Chilena de Navegación Interoceánica, S.A.(CCNI). From left to right: Luis Villaroel, CCNI Operations Manager, Carlos Allimant, CCNI Chief Executive Officer and General Manager, Alberto Alemán Zubieta, ACP Administrator, and Marcelo Ramos, CCNI Asset Management and Cost Control Director.

for more information

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