



PANAMA CANAL NEWS

March 2009

Canal Expansion: Full Steam Ahead

The Panama Canal Authority (ACP) continues moving forward with the expansion project. The excavation work for the creation of the 6.1 kilometer long Pacific locks access channel advances, with three of four contracts already awarded and in execution. More than 10 million cubic meters of material have already been removed out of a total of 46 million. Also, the Pacific sea entrance channel dredging is progressing as scheduled with more than 1.5 million cubic meters of the 9.1 million cubic meters already dredged.

On February 27, the ACP issued the Request for Proposals (RFP) to dredge the Canal's Atlantic entrance. The contract includes the dredging of approximately 15 million underwater cubic meters and 800 thousand cubic meters of dry excavation. It also includes deepening the Canal's Atlantic entrance to 15.5 meters to allow the transit of post-panamax vessels through the new set of locks.

The dredging contract will be awarded under the lowest price model. Proposals are expected to be submitted on July 15, 2009 with the project completion expected sometime in the second quarter of 2013.

On March 3, the ACP received the proposals for the design and construction of the new set of locks, the largest contract under the \$5.25 billion Canal expansion program. The proposals were submitted by three prequalified consortia: Consorcio C.A.N.A.L; Consortium Bechtel, Taisei, Mitsubishi Corporation, and Consorcio Grupo Unidos por el Canal, and were separated in two categories – technical and price. The contract will be awarded based on "best value", with 55 percent of the weight assigned to the technical aspect and 45 percent to the bid price.

The envelopes containing the price proposals, including the ACP's owner's price, were signed by the Notary Public, the ACP Contracting Officer and the Canal's Inspector General and were placed in a box and moved to Panama's National Bank to be locked in a vault - in an independent and secure environment. These price proposals together with the owner's price will not be opened and reviewed until the technical proposals have been evaluated. Points for both aspects will be computed in a subsequent public forum.

Currently, the technical proposals are being studied and evaluated by an evaluation committee comprised of 15 highly qualified ACP employees, with substantial and diverse technical experience. All committee members have signed confidentiality and conflict of interest agreements.

During the process, the committee will receive support from more than 40 local and international specialists and work in coordination with the ACP's designated Contracting Officer for this project. The ACP hired Deloitte to audit the technical review process and to certify that the committee follows the rigorous analysis process designed to evaluate the technical proposals.

Upon completion of the technical evaluation, the Contracting Officer will call for another public forum to examine the price proposed by each consortium to execute the project. The technical points awarded to each consortium will be added to the price proposals and the consortium with the highest number of points will be the potential winner. The forum will be held in the coming months after the evaluation is finalized.



ACP officials receive the proposals for the design and construction of the new set of locks.

The winner of the contract will design and build a new set of locks along the Canal, capable of handling vessels 366 meters in length overall, 49 meters in beam, and 15.2 meters of tropical freshwater draft. The lane's new locks chambers will be 427 meters long, 55 meters wide and 18.3 meters deep. The expansion will double the waterway's capacity to more than 600 million Panama Canal tons and allow the transit of present post-Panamax containerships; Suezmax liquid-bulk tankers; Capesize dry-bulk carriers; and larger sizes of liquefied natural gas carriers, passenger ships and other vessel types within these dimensional limits.

Expansion is slated for completion by 2014, when the Panama Canal celebrates its 100th year of service to world trade.



Memorandum of Understanding with Curaçao Ports Authority

On February 4, Administrator Alberto Alemán Zubieta and Curaçao Ports Authority (CPA) General Managing Director Richard Julius López Ramírez signed a Memorandum of Understanding (MOU) to jointly foster commercial activity between both entities. Renewable on a two-year basis, the MOU aims to generate new business in tourism and trade for each country's continued economic growth.

As part of the MOU, the ACP and CPA will undertake a series of activities to promote the oceanic exchange of goods including joint advertisements, data interchange and competitive market analyses of the shipping industry. In addition, the ACP and CPA will share information on their latest advancements, such as modernization efforts and personnel training programs. The agreement demonstrates each organization's commitment to meet increasing levels of trade.

The ACP holds similar agreements with ports located in the East and Gulf Coasts of the United States.



*L*From left to right Richard J. López R., Curacao Ports Authority General Managing Director, Alberto Alemán Z., ACP Administrator, and Agustín M. Díaz, Curacao Ports Authority Managing Director.

Canal Performance

For the first quarter of fiscal year 2009 (FY-2009), which covers the period from October through December 2008, the Canal registered a total of 3,520 transits, 0.1 percent more than the transits registered during the same period of FY-2008. Transits of supers, larger ships that require greater time and navigation skills to transit the Canal, decreased 1.4 percent – to 1,874 transits from 1,900.

Panama Canal/Universal Measurement System (PC/UMS) tonnage remained nearly constant with a slight 1.0 percent decrease – to 78.2 million PC/UMS tons from 79.0 million PC/UMS tons.

Average Canal Waters Time (CWT), the average time it takes a vessel to transit the Canal (including waiting time for passage), increased 15.7 percent – to 27.97 hours from 24.18 hours. CWT for booked vessels (those ships holding reservations) experienced a slight increase of 0.5 percent – to 16.94 hours from 16.86 hours.

Utilization of the booking system slightly dropped 2.1 percent – to 90.7 percent utilization from 92.8 percent.

The global economic crisis has affected some consumer-oriented segments, especially vehicle carriers and containers; however, other segments like tankers, dry bulk and passenger remain strong.

Panama Canal Authority CEO briefs U.S. retail industry on Canal

On February 11, Mr. Alemán Zubieta spoke at the 2009 Retail Industry Leaders Association (RILA) Logistics Conference in Dallas, Texas. With an attendance of approximately 900 global logistics leaders, Mr. Alemán Zubieta highlighted the anticipated benefits of the Canal expansion, which is progressing on time and on budget, and will help Canal customers to efficiently deliver products to consumers around the world. He also pointed out the rapid growth of Panama as the transportation and logistics hub of the Americas.

Located in the narrowest section of the Americas, the Republic of Panama is a strategic location for carrying out transportation and transshipment activities. The Panama Canal links 144 routes worldwide, and the local ports' system gives ready access to shippers looking to distribute their products to the Caribbean and Latin American markets. Only 50 miles separate the Pacific and Atlantic Oceans and interconnections are available through rail, air, and highway systems.

The Government of Panama is promoting the development of a new Logistics Center at the Pacific entrance of the Panama Canal.

Meeting with Round Table of International Shipping Associations

On February 17, Mr. Alemán Zubieta and Mr. Rodolfo Sabonge, ACP Vice President of Market Research and Analysis, met at the International Chamber of Shipping (ICS) offices in London with representatives of the shipping industry. The meeting was attended by ICS Secretary General Tony Mason and delegates from the Cruise Lines International Association; the German, Japanese, Norwegian, and Danish Shipowners Associations; and container lines CMA-CGM, Maersk, APL, and Hapag Lloyd.

We want your comments

Your comments and suggestions are very important to us. 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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