



# PANAMA CANAL NEWS

December 2009

## Message from the Panama Canal Administrator/CEO

Even though 2009 is likely to be remembered for the worldwide economic downturn, it was a highly productive year for the Panama Canal Authority (ACP). We achieved significant progress in the execution of the Canal Expansion Program, while at the same time, continued to improve the quality of our customer service.

The ACP's success in managing the Canal and the Expansion Program has also received attention from some of the world's and industry's top publications including The Economist, Lloyd's List and USA Today, among others.

According to fiscal year-end figures (October 2008-September 2009), a total of \$3.6 billion in contracts under the Expansion Program has been awarded to an array of some of the best companies in their trades. The \$5.25 billion Expansion Program is moving ahead on schedule and within budget, and once completed in 2014, is expected to redefine shipping, as it will open a new door to world trade.



*Panamax vessels entering the locks.*

## Improved reliability and faster service

The ACP is aware that to remain competitive in today's fragile economic climate, the Panama Canal must provide the safe, reliable and efficient service our customers have come to expect.

For this reason, we have invested more than \$1.6 billion to modernize and improve the waterway over the last decade. The investments to increase the waterway's capacity include new tie-up stations, more tugboats and the installation of a merry-go-round system at the locks, to name a few.

In fiscal year 2009, the average Canal Waters Time – the time it takes a vessel to complete its transit, waiting time included – was reduced to 23.1 hours, from 31.6 hours in fiscal year 2008.

## Changing the game for global trade

Once completed, the expansion program will double the waterway's capacity to approximately 600 million Panama Canal Universal Measurement System tons (PC/UMS). The program entails the construction of a new set of locks that will cater to vessels measuring a maximum 49m (160') in beam, 366m (1,200') in length and with the capacity to carry up to 12,000 TEUs and others capable of carrying 170,000 deadweight tons.

The transit of larger vessels through the waterway will bring positive changes to the shipping industry, opening new opportunities for trade. Expansion will also guarantee the sustainability of the Canal well into the future and will help expedite the global supply chain and bring goods to market faster, ultimately saving time and money for both producers and consumers worldwide.

## Good performance in spite of the crisis

The 2009 economic downturn reduced trade volumes in all shipping routes and affected businesses throughout the world. Even so, the Panama Canal remained the route-of-choice for shippers looking for the best value alternative for transporting goods worldwide.

From October 2008 through September 2009, the Canal registered 299.1 million Panama Canal tons (PC/UMS), which represents a decrease of 3.4 percent in comparison with the previous fiscal year. Transits fell marginally by 2.4 percent, totaling 14,342. The main reductions in traffic were registered in the containership and vehicle carrier segments.

## Helping clients in time of crisis

The ACP worked with the industry to provide some type of relief to customers, and, from May through September, it put into effect temporary measures that included: the application of the ballast rate to full containerships carrying a total amount of TEU equal to or less than 30 percent of the total TEU allowance; the reduction of booking and late arrival fees; and, more flexibility for slot substitutions.

At customers' requests, the measures were later extended to April 30, 2010.

## Expansion Progress

### Pacific Access Channel

Work on the excavation of the new access channel that will join the new Pacific locks with the Gaillard Cut (the narrowest stretch in the Panama Canal) began in 2007. This part of the project was divided into four different phases or projects known as PAC 1-4. The first three phases are already underway, with the first two nearing completion, while the fourth phase should be awarded this month.

By October 31 of this year, Constructora Urbana, Contractor for PAC-1, had completed 98 percent of the work, while Cilsa Panama Minera María, responsible for the second phase or PAC-2, achieved 91 percent. The excavation work for the third phase, being performed by Constructora MECO, is progressing on schedule with 39 percent of the work completed as of October 31.

### Most comprehensive expansion contract awarded

After submitting the best value proposal with a base price of \$3,118,880,001.00, multinational consortium Grupo Unidos por el Canal (GUPC), formed by Sacyr Vallehermoso S.A., Impregilo S.p.A., Jan De Nul n.v. and Constructora Urbana, S.A., was awarded the contract for the design and construction of the new set of locks. GUPC was issued the order to commence stating that from August 25, 2009, it would have 1,883 days to complete the work.

### Dredging of Canal entrances and navigational channels

As part of the expansion work, the Pacific entrance to the Canal is currently being deepened to a minimum depth of 15.5 meters below Mean Low Water Springs and widened to a minimum width of 225 meters. Under this contract, awarded on April 1, 2008 and officially launched on November 17, 2008 for a total of \$171.7 million, Belgian company Dredging International Panama will remove a total of 9.1 million cubic meters of material through the widening of a 14.2 km stretch.

Dredging of the Atlantic entrance to the Canal was awarded to another Belgian company, Jan de Nul n.v., which is responsible, for lowering the Canal bottom to 16.1 meters Mean Low Water Springs. The area to be dredged on the Atlantic entrance extends approximately 13.8 kilometers. The scope of work also includes widening the existing Atlantic entrance channel from 198 meters to a minimum of 225 meters and the north approach channel to a minimum of 218 meters. This entails dredging approximately 17.1 million cubic meters and excavating 800 thousand cubic meters of material.

In an effort to provide close and permanent coordination, avoid the potential risk of disruption of Canal traffic operations and take advantage of the expertise and knowledge of the surroundings within Canal waters, ACP personnel will perform widening and deepening work in most of Gatun Lake and deepening of the Gaillard Cut. The work includes the removal of some 27 million cubic meters of material using Canal dredging, drilling and blasting equipment along with the leased dredge *Il Principe*.



*The new locks will use water-saving basins.*

## Looking into the future

Expansion is well underway. The economic cycles will continue changing and we are getting ready to serve the needs of the shipping industry. Our project is running on time and on budget and we look forward to a bright future in which Panama and its Canal will continue being at the crossroads of global trade.

We take this opportunity to wish all our customers and partners in the transportation industry a joyful holiday season and a successful 2010!

Alberto Alemán Zubieta  
Administrator/CEO Panama Canal Authority

## 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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