

The **New** Panama Canal: A **Better Way** To Go

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PANAMA ANNOUNCES EXPANSION

**RECOMMENDS STATE-OF-THE-ART SOLUTION TO GROWING TRAFFIC DEMAND,
NEW LANE WILL DOUBLE CAPACITY**

FINAL DECISION BY THE PANAMANIAN PEOPLE THROUGH A REFERENDUM

PANAMA CITY, Panama, April 24, 2006 – In an historic move, the Chairman of the Panama Canal Authority's (ACP) Board of Directors announced today its recommendation to build a new lane along the Panama Canal that will double capacity and allow more traffic. This is the result of comprehensive analyses and studies by the ACP. The project is estimated to cost \$5.25 billion and will be paid entirely by users of the Canal through a graduated toll system. Dr. Ricaurte Vásquez M., Chairman of the ACP's Board of Directors, submitted the recommendation to President Martín Torrijos at a Town Hall meeting in Panama today. The president will discuss the recommendation with his Cabinet, make a recommendation to the National Assembly, and the process will culminate with the Panamanian people voting in a national referendum.

"Today is an historic moment for the Panamanian people and the global shipping and maritime industry. After several years of analyzing and reviewing hundreds of studies and projections, we are recommending the expansion of the Panama Canal," said Dr. Vásquez. "Our vision is clear – this project will be for the benefit of the people of Panama and world trade. Panama's geographic location is its destiny – we aim to be at the center of global trade and become a great maritime hub. The time is right and the time is now."

ACP Administrator/CEO Alberto Alemán Zubieta added: "Panama has been successful in managing and operating the Canal since the U.S. handover in 1999. We have broken several records and have set the bar high for efficiency, safety and reliability, while at the same time bringing more benefits to our country. At this juncture, we are up to the task to take on Canal expansion, to add more capacity and to ensure reliable service for our customers for decades to come."

The Economic Benefits

An expanded Canal will benefit the people of Panama and world trade. The expansion will help maximize Panama's strategic, geographic location by enabling it to become an international maritime hub at the center of global trade. Expansion will also improve the flow of international commerce and facilitate the movement of goods through several

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important markets. It will increase capacity at one of the world's critical trade arteries; allow the vital "All-Water Route" to continue to grow; create more efficient service at the Canal, which would tighten the global supply chain and help goods get to market faster, thus saving time and money for both producers and consumers.

The Expansion Project

Expansion would entail the creation of a new lane of traffic along the Canal through the construction of a new set of locks. Environmentally sound water-saving basins will be built alongside the new locks, which will reuse 60 percent of the water in each transit. This technology eliminates the need for constructing dams, flooding and displacing communities along the Canal's Watershed. This was also in keeping with ACP's adherence to sustainable development and environmental management best practices.

Financing for the Project

This project will be paid for by Canal customers through a graduated system of tolls. As always, the ACP will consult with customers on the new tolls pricing system and will take into account their specific needs. Potential construction is slated for completion by 2014. All creative means will be employed by the ACP to stretch capacity until the construction is completed. The ACP forecasts that the Canal will reach full capacity by the time the expanded Canal is operational.

Since the handover of the Canal from the United States to Panama on December 31, 1999, the ACP has shifted its operations from a not-for-profit utility to a market-oriented business model – one that is focused on customer service and reliability. Under ACP management, there has been a significant reduction in the time it takes to transit the Canal, an increase in tonnage transiting the waterway and a spike in transits of Panamax-size vessels.

The Decision Process

The ACP's Board of Directors has now presented its recommendation to expand the Canal to the President and the Cabinet Council of Panama. If approved by the Cabinet Council, the matter is referred to the National Assembly for approval. The National Assembly will then create a law mandating a referendum, in which the people of Panama will vote on expansion.

About the Panama Canal Authority

The Panama Canal Authority is the autonomous agency of the Government of Panama in charge of managing, operating and maintaining the Panama Canal. The operation of the Panama Canal Authority is based on its organic law and the regulations approved by its Board of Directors. For more information, please refer to the Panama Canal Authority's Web site: www.pancanal.com.

The Authority's responsibility to the Panamanian people is paramount. The Canal belongs to the people and benefits from the Canal should accrue to as many Panamanians as possible. The Authority will plan its future so that it will continually contribute to the economic development and welfare of the citizens of Panama.

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