



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

11832  
110704

OCT 26 1979

B-114839

To the President of the Senate and the  
Speaker of the House of Representatives

CW000001

The Panama Canal Act of 1979 requires the Comptroller General to certify the estimated revenues to be deposited in the Panama Canal Commission's fund as estimated by the Secretary of Defense at the time the budget request for such fiscal year is submitted to the Congress. Section 1302 (c)(2) of the Act provides that:

"No funds may be appropriated to or for the use of the Commission for any fiscal year in excess of (A) the amount of revenues deposited in the Panama Canal Commission Fund during such fiscal year, as such amount is estimated by the Secretary of Defense and certified by the Comptroller General of the United States at the time the budget request for the Commission for such fiscal year is submitted to the Congress . . ."  
(underscoring supplied)



110704

The Act does not provide any criteria for GAO to use in certifying the revenues estimated by the Secretary of Defense and to be deposited in the Panama Canal Fund in the Treasury. Our review of the fiscal year 1980 estimates consisted of testing the computations, reviewing the method of compiling the estimates and forecasts, and such other procedures as we considered practicable in the circumstances.

AGC000005  
AGC000318  
DLG00944

The revenue estimated by the Secretary for fiscal year 1980 from all sources shown in Exhibit I to be deposited in the Panama Canal Commission Fund total \$463.9 million. This includes \$71.2 million Panama Canal Company funds remaining unexpended at September 30, 1979, and required to be deposited in the Fund and will be available to the Commission. This amount is the remaining funds from past revenues net of expenses of operations of the Panama Canal Company.

DLG03186  
AGC00318

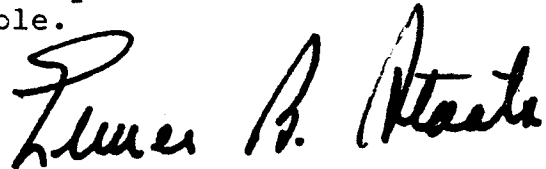
Our review of the toll revenue estimate indicated that the Panama Canal Commission used primarily aggregative economic forecasting techniques combined with statistical analysis and economic judgement in developing the forecast of Canal

007600

traffic and toll revenues for fiscal year 1980. Disaggregative techniques were used for commodities, such as grain and oil, for which economic changes are expected. Broad boundaries within which the basic elements of Panama Canal traffic could be expected to develop were established by analyzing data on toll revenues and net tons through the Canal from 1948 through 1978. The economic judgement used by the Commission was based on knowledge of Panama Canal traffic and research of economic and trade literature. Views of present and future patterns of Canal traffic were also obtained from interviews with approximately 100 organizations in Asia, Europe, and North America. However, since the forecast of toll revenues for a given year are based on assumptions and estimates whose reliability depends on future events outside the control of the Commission, such as a major economic recession and alternative methods of transportation or transcontinental pipelines, there could be a significant variance from actual results.

Non-toll revenue estimates i.e. supporting activities and general and administrative services, were developed by the Panama Canal Commission beginning with the latest estimates of such revenues for fiscal year 1979 and adjusting these amounts with revenue variations expected during fiscal year 1980. Some reasons for these variations are anticipated changes in the level of income producing services and in their billing rates. Provisions were also made for new revenue-producing services that will be provided and for services that will be discontinued due to Treaty implementation. During prior years, non-toll revenue estimates have had less variation from actual results than have toll revenues and are less likely to be subject to variations resulting from uncertain factors. To test the reliability of estimates for prior years, we compared the estimated and actual revenues for fiscal years 1979, 1978, and 1977.

In our opinion, subject to the uncertainties in financial forecasting or unanticipated events and circumstances that may occur, particularly with respect to Canal traffic and toll revenues, the revenues projected by the Commission for fiscal year 1980 appear to be reasonable.



Comptroller General  
of the United States



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

EXHIBIT NO. 1

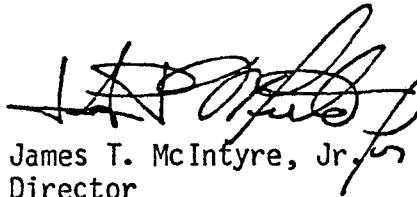
OCT 25 1979

Honorable Elmer B. Staats  
Comptroller General of the United States  
General Accounting Office  
Washington, D. C. 20548

Dear Mr. Staats:

Section 1302(c)(2) of the Panama Canal Act of 1979 (P.L. 96-70) requires that the Secretary of Defense estimate and the Comptroller General certify the revenues to be deposited in the Panama Canal Commission Fund before funds may be appropriated for any fiscal year. In accordance with provisions of that Act, I am transmitting to you for certification the Defense Department's estimates of 1980 Panama Canal Commission revenues.

Sincerely,



James T. McIntyre, Jr.  
Director

Enclosure



DEPARTMENT OF THE ARMY  
OFFICE OF THE ASSISTANT SECRETARY  
WASHINGTON, D.C. 20310

OCT 18 1979

Honorable James T. McIntyre, Jr.  
Director, Office of Management  
and Budget  
Washington, D.C. 20503

Dear Mr. McIntyre:

Section 1302(c)(2) of the Panama Canal Act of 1979 (PL 96-70) provides that:

"No funds may be appropriated to or for the use of the Commission for any fiscal year in excess of (A) the amount of revenues deposited in the Panama Canal Commission Fund during such fiscal year, as such amount is estimated by the Secretary of Defense and certified by the Comptroller General of the United States at the time the budget request for the Commission for such fiscal year is submitted to the Congress, plus (B) the amount of revenues deposited in such Fund prior to such fiscal year and remaining unexpended at the beginning of such fiscal year. Not later than thirty days after the end of such fiscal year, the Secretary of the Treasury shall report to the Congress the actual amount of revenues deposited in the Panama Canal Commission Fund during such fiscal year."

In conformance with section 1302(c)(2) of said Act, I estimate that the revenues to be deposited by the Panama Canal Commission into the Panama Canal Commission Fund during fiscal year 1980 will amount to \$391,214,000. I further estimate that, in addition to these operating revenue receipts, the Panama Canal Commission will deposit into the Panama Canal Commission Fund in fiscal year 1980 certain other funds amounting to \$72,673,000, comprised of (a) \$71,216,000 of Panama Canal Company funds remaining unexpended at close of business September 30, 1979, (b) \$400,000 of miscellaneous receipts pertaining to the sale of remaining retail inventories and the disposal of certain plant assets, and (c) \$1,057,000 from the collection of Panama Canal Company accounts receivable from the Government of Panama.

My estimate of the funds to be deposited into the Panama Canal Commission Fund during fiscal year 1980 is based on the Budget Amendment for the fiscal year 1980 programs of the Panama Canal Commission, adjusted to reflect: (1) the implementation effective October 1, 1979 of a 29.3 percent increase in the rates of tolls for the Panama Canal rather than the 31.0 percent increase projected in the Budget Amendment; (2) a preliminary accounting for Panama Canal Company cash balances actually on hand on September 30, 1979; and (3) certain other refinements in fiscal year 1980.

Sincerely,



Michael Blumenfeld  
Assistant Secretary of the Army  
(Civil Works)

ESTIMATED DEPOSITS INTO THE U.S. TREASURY - FY 1980  
(Dollars in thousands)

	<u>Budget Amendment</u>	<u>Changed Interest Cost</u>	<u>Proposed for Later Transmittal</u>	<u>Current Estimate</u>
Toll rate assumption .....	31%			29.3%
Panama Canal Commission Fund Deposits:				
Revenues for 1980, including capital surcharge .....	\$395,234	-\$6,008 <sup>1/</sup>	+\$1,988 <sup>2/</sup>	\$391,214
Proceeds from sale of retail inventory .....	300			300
Proceeds from sale of plant assets .	100			100
Collections of Panama Canal Company accounts receivable .....	<u>1,057</u> <sup>3/</sup>	-	-	<u>1,057</u>
Subtotal .....	396,691	-6,008	1,988	392,671
Deposit of Panama Canal Company cash	<u>71,216</u>			<u>71,216</u>
Total deposits Panama Canal Commission Fund .....	<u>467,907</u>	<u>-6,008</u>	<u>1,988</u>	<u>463,887</u> <sup>4/</sup>
General Fund of the Treasury - Miscellaneous Receipts:				
Collection of Canal Zone Government accounts receivable .....	6,133 <sup>3/</sup>			<u>6,133</u>
 TOTAL DEPOSITS .....	<u>\$474,040</u>	<u>\$-6,008</u>	<u>\$ 1,988</u>	<u>\$470,020</u>

<sup>1/</sup>Changed interest cost is due to the adoption of the average coupon rate (7.096%) versus an average yield rate (10.25%) as included in the budget amendment:

Budget amendment	10.25% .....	\$20,854
Current estimate	7.096% .....	<u>14,846</u>
Change .....		<u>\$ 6,008</u>

<sup>2/</sup>Increase in cost is due to changed assumption on Federal pay raises. Budget amendment was based on a 5.5% cap on pay raises whereas the current estimate provides for a 7% pay raise.

<sup>3/</sup>The collection of accounts receivables includes the following estimated amounts from the Government of Panama covering past debts.

Panama Canal Company receivables from Panama ...	\$ 1,057
Canal Zone Government receivables from Panama ..	<u>\$ 1,832</u>
Total .....	<u>\$ 2,889</u>

<sup>4/</sup>The Panama Canal Company's borrowing authority of \$40 million is also being released. An emergency fund of \$40 million is authorized in lieu of the borrowing authority.