



111740  
~~13063~~

MAR 6 1980

B-197901

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

The Panama Canal Act of 1979 requires the Comptroller General to certify the estimated revenues to be deposited in the Panama Canal Commission 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 such 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.)

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 Commission Fund in the Treasury. Our review of the fiscal year 1981 estimates consisted of testing computations, reviewing the method of compiling the estimates and forecasts, and such procedures as we considered practicable and necessary in the circumstances.

The revenue estimated by the Secretary through the Assistant Secretary of the Army for fiscal year 1981 from all sources shown in Exhibit I to be deposited in the Panama Canal Commission Fund total \$410.1 million. It is also estimated that the Panama Canal Commission Fund will have an unexpended balance of \$463.9 million at the close of fiscal year 1981, which represents the total revenue deposits and cash deposits from the former Panama Canal Company made by the Commission during fiscal year 1980.



111740

DLG00944  
DOD  
ARMY  
008882

See 115 for  
Tulley

ID-80-19

Our review of the toll revenue estimates indicated that the primary basis for projecting tolls is a 5-year tolls revenue study which is updated every 2 to 3 years. This study combines aggregative economic forecasting techniques with statistical analysis and economic judgment in forecasting Canal traffic and toll revenues for fiscal year 1981. Disaggregative techniques were used for commodities, specifically grain and oil, for which economic changes were expected. During fiscal year 1980 one of these two categories (oil) has experienced changes in traffic flow which will impact on projected 1980 revenues and possibly affect current 1981 projections. These changes are further addressed below.

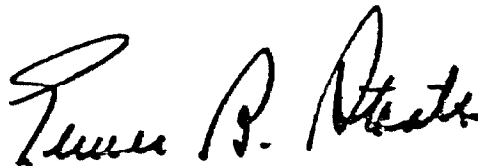
In the Commission's projection of tolls revenue, broad boundaries within which the basic elements of Panama Canal traffic could be expected to develop were established by analyzing data on toll revenues and net tons through the Canal from 1948 through 1978. Views of present and future patterns of Canal traffic were also obtained from interviews with approximately 100 organizations (mostly shippers and Canal users) 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 uncertain future events outside the control of the Commission, there could be a substantial variation from actual results. This possibility is exemplified by recent events which have decreased the movement of Alaskan North Slope oil through the Canal and which may result in an estimated shortfall in projected revenues of \$5.8 million in fiscal year 1980 and \$5.6 million in fiscal year 1981. Other events which may affect revenue include the Iranian situation and OPEC price increases.

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 1980 and adjusting these amounts with revenue variations expected during the upcoming fiscal year. Some reasons for these variations are anticipated changes in the level of income-producing services and in their billing rates. During prior years, the 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 the most recent years, we compared the estimated and actual revenues for fiscal years 1979 and 1980 (through December 31, 1979).

Actual non-toll revenues have been less than expected for the first quarter of fiscal year 1980 and may fall short of originally projected levels for that year by about \$8 million. This shortfall is due to a decrease in revenues from utilities and technical assistance to Panama because these services have not been required at the level that was originally projected. However, Commission officials believe that the shortfall will not affect the fiscal year 1981 projections, because technical assistance is not included and utility rates will be adjusted to recoup the shortfall. The problems experienced this year with revenue areas that historically have had only a slight degree of fluctuation demonstrates that even these are not immune to uncertain factors.

The Panama Canal Commission also expects to deposit revenues from non-operating sources totalling \$3.75 million. This consists of \$3.65 million expected to be collected from the Republic of Panama for past due accounts receivable and \$100,000 from the sale of assets. These amounts appear to be reasonable, although as of early 1980 problems still exist in reaching agreement with the Republic of Panama on the payment of the accounts receivable.

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 1981 appear to be reasonable.



Comptroller General  
of the United States

Attachment



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

EXHIBIT 1

FEB 6 1980

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 amounts may be appropriated for any fiscal year. In accordance with the provisions of that Act, I am transmitting to you for certification the Defense Department's estimates of 1981 Panama Canal Commission Fund revenue deposits.

Sincerely,

Joyce J. Walker  
Deputy Associate Director  
Transportation, Commerce,  
and Housing

Enclosure



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

FEB 4 1980

REPLY TO  
ATTENTION OF

Mr. Rodger O. Schlickeison  
Associate Director, Economics and Government  
Office of Management and Budget  
Washington, D. C. 20503

Dear Mr. Schlickeison:

Section 1302(c)(2) of the Panama Canal Act of 1979 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 revenue 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 subparagraph (2)(A) of section 1302(c) 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 1981 will amount to \$406,363,000 of which \$313,940,000 will come from tolls and \$92,423,000 from other services. I further estimate that, in addition to those operating revenue receipts, the Panama Canal Commission will deposit into the Panama Canal Commission Fund in fiscal year 1981 certain other funds amounting to \$3,750,000 comprised of \$1,094,000 of collections from the Government of Panama for Panama Canal Company accounts receivable; \$2,556,000 of collections from the Government of Panama for Canal Zone Government receivables; and \$100,000 from the sale and disposition of plant assets.

Mr. Rodger O. Schlickeison

Total deposits by the Panama Canal Commission into the Panama Canal Commission fund during fiscal year 1981 are, therefore, estimated at \$410,113,000. This estimate is based on the projections contained in the President's Budget for fiscal year 1981, adjusted upward to reflect the deposit of \$2,556,000 of collections of Canal Zone Government receivables from the Government of Panama. In making this estimate, I am aware that North Slope oil movements through the Canal are not up to expectations thus far in fiscal 1980, and there is therefore a potential that toll revenues projected from this source for fiscal year 1981 may not be fully realized. However, I consider it premature to change the budget estimates at this time given the relatively small amount of revenues that could be involved and the difficulty of precision in forecasting overall Canal traffic. In any event, the estimated deposits in the Panama Canal Commission Fund plus unexpended balance of the fund from 1980 will far exceed the requested appropriation.

Your assistance in obtaining the Comptroller General's certification of the amount estimated for deposit into the Panama Canal Commission Fund in fiscal year 1981 will be appreciated.

Sincerely,



Michael Blumenfeld  
Assistant Secretary of the Army  
(Civil Works)

PANAMA CANAL COMMISSION  
 Estimate of Deposits in the Panama Canal Commission Fund  
 Fiscal Year 1981

	<u>In Thousands</u>
Tolls (exclusive of North Slope).....	\$271,530
North Slope Oil.....	<u>42,410</u>
Total Tolls.....	313,940
Revenue other than Tolls:	
Navigation service and control.....	36,428
Power service.....	28,458
Water system.....	5,704
Water transportation.....	7,756
All other.....	<u>14,077</u>
Total Revenue other than Tolls.....	<u>92,423</u>
Total revenues.....	406,363
Proceeds from disposal of fixed assets.....	100
Collection of accounts receivables from the Republic of Panama .....	<u>3,650</u>
Total estimate of receipt deposits in U.S. Treasury - F.Y. 1981 .....	<u>\$410,113</u>