

March 30, 2006

MR'S ADVISORY TO SHIPPING No. A-07-2006

TO : All Steamship Agents, Owners, and Operators

SUBJECT: Addition of a Transit Booking Slot through Auction Process

In recent years the Panama Canal Authority (ACP) has implemented several changes to the Transit Reservation System in order to better serve the needs of our customers, such as vessel swaps, substitutions, change of transit date, and a recent increase in the number of available slots. However, customers with lower rankings have expressed concern regarding difficulties in acquiring booking slots, particularly in the 3rd period, due to the "weighted ranking" system, which tends to favor customers with higher rankings, leaving them with no option but to wait their turn to transit on a *first come-first served* basis.

In order to provide these customers with an alternative, effective April 1, 2006, and for a 60-day trial period, the ACP will offer an additional booking slot through an auction process, available only during the 3rd period, and for any booking condition present at the time. This additional slot will be subject to the same requirements as the normal booking slots, such as arrival time and the 18-hour In-Transit-Time requirements.

In addition to the above-mentioned requirements, the auctioned booking slot will be subject to the following terms and conditions:

- Auctioned booking slots will be available to customers by Customer Code or to vessels by SIN number, only on dates when all booking slots for either *supers* (91' in beam and above) or *regulars* (under 91' in beam) have been allocated.
- The auction process will begin not earlier than 1400 hours on the opening day of the 3rd period for the slot to be auctioned, or not later than 1100 hours on the closing day of the 3rd period (two days before transit date of auctioned slot), and will end not earlier than 1300 hours on the closing day of the 3rd period (two days before transit date of auctioned slot).
- The initial or base price for the auctioned slot during booking conditions 1 and 2 will be based on the highest booking fee that was paid in conditions 1 and 2 during the month prior to the month preceding the auction date. This initial or base price will be rounded up to the next hundred. In other words, the initial or base price for auctions held in April will be the highest booking fee that was paid in February, rounded up to the next hundred. During booking condition 3, the initial or base price will be multiplied by two, and then rounded up to the next hundred.

- If the auction is initiated due to all booking slots for *regulars* having been allocated, while slots are still available for *supers*, the initial or base price will be based on the highest booking fee paid by a *regular* vessel during the month prior to the month preceding the auction date, rounded up to the next hundred. However, once the booking slots for *supers* are allocated, if there is still a *super* interested in bidding, the initial or base price will be changed to the highest booking fee paid in conditions 1 and 2 during the month prior to the month preceding the auction date, rounded to the next hundred.
- The auctioned slot will be awarded to the vessel or customer who submits the highest bid during the auction period. Vessels awarded the auctioned slot have the same options as other booking slots, such as requesting *same-day-transit due to late arrival*, *swaps*, and *substitutions*, except *change-in-transit-date*. However, the *same-day-transit* option will incur a charge equal to 200% of the amount offered during the auction, and for *swaps* or *substitutions*, the charges to be applied will be the higher of the two booking fees applicable to the vessels involved in the swapping.
- If a cancellation of an already awarded auctioned slot occurs before the closing of the 3rd period, the slot will be awarded to the next highest bidder. The charge for cancellation of the auctioned slot will be 90% of the winning bid and shall be requested before the vessel's required arrival time or before the vessel is underway for transit, whichever occurs first.
- Forfeiture of auctioned slots will incur a charge equal to 100% of the amount of the bid.
- Slots cancelled during the 3rd period will be offered, subject to the same transit restrictions, first to those vessels that failed to secure a slot during tie-breaker competition, followed by subsequent rejections, in order of rejection, and last, to any interested vessel on a *first come-first served* basis. If the cancellation occurs during *or* after the auction process, and the vessel which is to be awarded the cancelled slot is the same as the vessel which made the highest bid, the cancelled slot will be awarded to that vessel at the normal booking rate, and the auctioned slot will then be awarded to the next highest bidder.

Bids for booking slots available through the auction process will be received beginning Saturday, April 1, 2006, for booking slots to transit on April 4, 2006. Further instructions to the Panama Canal booking slot auction system are enclosed.

ORIGINAL SIGNED

Jorge L. Quijano
Maritime Operations Director

Enclosure

PANAMA CANAL BOOKING SLOT AUCTION SYSTEM

General information:

The type of auction process to be used will be a Standard Auction. The Panama Canal Authority (ACP) will publish the initial or base price to be used during the auction.

The auction system may be accessed at <http://www.pancanal.com/eng/op/index.html>, and will be available beginning 0001 hours, March 31, 2006, under the title "AUCTION SYSTEM."

Applicable Rules:

Bid increments: The minimum amount required to place or raise a bid is USD\$100.00.

Display a Countdown Clock: the system will display the time left on each auction based on GMT-5.

Registration: Registration forms for interested parties are available at the auction system website. These forms shall be printed and signed by the manager or legal representative of the vessel's agency, and then forwarded to ACP-auction@pancanal.com, or faxed to (507) 272-3692. Once the information is verified by the ACP, an e-mail confirmation will be sent.

User and password management: The system will allow each user to change their passwords, and will include a "forget password" type process. For security reasons, passwords will expire every three months and users will be required to set their new passwords.

Privacy of Bidders: While the auction is in progress, the identity of bidders will remain confidential. Once the auction has closed, the identity of bidders will be revealed.

Auction Demo: A demo AUCTION FOR TRANSIT SLOT will be available in the auction system webpage. Please feel free to test out the auction process.

Proxy Bid: In addition to the normal bidding process, the system allows for customers who wish to enter the maximum amount they are willing to bid, to confidentially enter such amount. In turn, the system will bid the lowest acceptable amount automatically on behalf of customers using this system, and continue to bid on their behalf until the proxy bid entered by a customer is reached or the slot is awarded to that or another customer. Customers who entered a proxy bid will be notified by e-mail as soon as their bid was surpassed.

Special Condition: Once a bid is placed, customers are legally committed to the submitted amount. Therefore, in the auction process withdrawals will not be permitted.

User's Guide: A user's guide will be available at the auction website listed above.

Support: For assistance please contact support@pancanal.com, and as a second option, call 272-4222.