

May 29, 2007

MR'S ADVISORY TO SHIPPING No. A-10-2007

TO : All Steamship Agents, Owners, and Operators

SUBJECT: PANAMA CANAL TOLLS INCREASE AND ADMEASUREMENT RULES APPROVED

On February 2, 2007, the ACP announced its proposal to restructure the Panama Canal's pricing system and certain regulations in an effort to move toward a charge that accurately reflects the commercial value of the route and the service it provides. This proposal was made available to all interested parties during a consultation period from February 2 to March 12, 2007, during which the ACP received a total of 21 written submissions from individuals and groups. Subsequent to this 30-day consultation period, the ACP conducted a public hearing on March 14 where 14 representatives from shipping and government agencies expressed their views.

On April 5, 2007, in response to industry requests, the proposal was slightly modified and the implementation of the new charges, for certain segments, was postponed until July 1, 2007. These segments include: general cargo, dry bulk, tankers and vehicle carriers. As a result, the ACP reopened the consultation period to provide the interested parties with an additional 15 days to present, in writing, additional data, opinions, information, or arguments. A total of 10 written submissions were received by the ACP from various individuals and groups.

On April 25, 2007, following a recommendation from the Board of Directors of the Panama Canal Authority, the Cabinet Council of the Republic of Panama approved the proposal to restructure the Panama Canal's pricing system and certain regulations. Other significant elements of the approved proposal include:

- Fully Loaded Displacement vs. Displacement at Arrival Draft: The displacement charge will now be based on the maximum displacement of the vessel instead of the arrival displacement. The use of a parameter that is more readily available makes the assessment of tolls more equitable and transparent.
- Administrative Changes: Some administrative changes have been made, but these changes will have no economic impact whatsoever. These revisions provide necessary linguistic and grammatical clarifications to the document or reinsert missing words to processes and procedures.
- Passenger Vessels: Vessels whose gross tonnage (GRT) is above 30,000 and whose PC/UMS tonnage divided by the maximum passenger capacity (PAX-ITC) ratio is less

than or equal to 33, shall pay tolls on a per berth basis. If such ratio is greater than 33, then tolls shall be paid on the basis of the vessel's PC/UMS tonnage. Vessels with a gross tonnage (GRT) below or equal to 30,000 gross tons (GRT) will continue under the Canal tonnage tolls systems paying on the basis of their PC/UMS tonnage.

“With the new pricing system, the Canal is charging its customers a price closer to the value of services provided. We reached this decision through an open and transparent process, providing the industry with multiple opportunities to comment. The new system, approved by the Cabinet Council, reflects this open dialogue, incorporating several of the requests we received from the industry over the past few months,” said ACP Administrator/CEO Alberto Alemán Zubieta following the Cabinet Council's decision.

The following table shows the tolls implementation dates:

PANAMA CANAL TOLLS (in U.S. dollars)

Market Segment		Present Tolls		2007		2008		2009				
				Effective 1st		Effective 1st of		Effective 1st of				
TEU Toll												
Full Containers	Laden	49.00		May 1/	54.00	May	63.00	May	72.00			
	Ballast	39.20			43.20		50.40		57.60			
On-Deck Container Toll in other vessels	Laden	49.00		May 1/	54.00	May	63.00	May	72.00			
Toll per berth												
Passenger Vessels 2/	Laden Ballast	N/A		October	100.00 80.00	October	115.00 92.00	October	120.00 96.00			
Tolls per PC/UMS Ton												
		1st 10K	2nd 10K	Rest	Effective 1st of	1st 10K	2nd 10K	Rest	Effective 1st of	1st 10K	2nd 10K	Rest
General Cargo	Laden	2.96	2.90	2.85	Jul	3.26	3.19	3.14	May	3.63	3.56	3.50
	Ballast	2.35	2.30	2.26		2.59	2.53	2.49		2.88	2.82	2.77
Refrigerated Cargo	Laden	2.96	2.90	2.85	Oct	3.39	3.32	3.26	Oct	3.80	3.72	3.65
	Ballast	2.35	2.30	2.26		2.69	2.63	2.59		3.01	2.95	2.90
Dry Bulk	Laden	2.96	2.90	2.85	Jul	3.20	3.13	3.08	May	3.50	3.43	3.37
	Ballast	2.35	2.30	2.26		2.54	2.48	2.44		2.78	2.72	2.67
Tankers	Laden	2.96	2.90	2.85	Jul	3.29	3.22	3.16	May	3.70	3.63	3.57
	Ballast	2.35	2.30	2.26		2.61	2.55	2.51		2.94	2.88	2.83
Vehicle Carriers	Laden	2.96	2.90	2.85	Jul	3.24	3.18	3.12	May	3.60	3.52	3.46
	Ballast	2.35	2.30	2.26		2.57	2.52	2.47		2.86	2.80	2.75
Passenger Vessels 2/	Laden	2.96	2.90	2.85	Oct	3.39	3.32	3.26	Oct	3.80	3.72	3.65
	Ballast	2.35	2.30	2.26		2.69	2.63	2.59		3.01	2.95	2.90
Others	Laden	2.96	2.90	2.85	Jul	3.32	3.25	3.19	May	3.78	3.70	3.64
	Ballast	2.35	2.30	2.26		2.63	2.58	2.53		3.00	2.94	2.89
Tolls per Displacement Ton												
Displacement		1.64		Jul	1.84	May	2.09	May	2.28			

Notes:

1 / The TEU tolls which will take effect on May 1, 2007 were approved on February 15, 2005.

2/ Vessels above 30,000 gross tons (GRT) and whose PC/UMS tonnage divided by maximum passenger capacity (PAX-ITC) ratio is less than or equal to 33, shall pay tolls on a per berth basis. If such ratio is greater than 33, tolls shall be paid on the basis of PC/UMS tonnage. Vessels below or equal to 30,000 GRT shall also pay on the basis of PC/UMS tonnage.

These changes will be available at: <http://www.pancanal.com/eng/maritime/tariff/index.html>

ORIGINAL SIGNED

Manuel E. Benítez
Operations Director