December 5, 2003

MR’S ADVISORY TO SHIPPING No. A-50-2003

TO: ALL STEAMSHIP AGENTS, OWNERS, AND OPERATORS

SUBJECT: CHANGES TO THE PANAMA CANAL TRANSIT RESERVATION (BOOKING) SYSTEM

After twenty years without any adjustment to the rates of the Panama Canal Transit Reservation System, effective, January 1, 2004, the basic booking rate will be increased to $0.39 per PC/UMS ton and other related fees will be raised approximately 20%. Reservations secured prior to January 1, 2004 for any date within the year 2004 will be honored at the current rate.

In addition, the following changes to the rules will be effective concurrently:

a. The distribution of the 21 slots allocated for reservations under normal conditions will be distributed to 12 large and nine small vessels.

b. The rule for substitutions has been revised to allow swaps for vessels booked within six days of each other.

c. The criteria for establishing transit condition changes was modified taking into account current ship mix.

d. The fourth and fifth cancellation notice periods have been modified to be based on 36 hours, instead of eight hours in order to allow us to offer canceled slots to other interested vessel.

e. These and other related changes to the Panama Canal Transit Reservation System appear highlighted and in bold letters in the attached document.

The Canal appreciates the inputs of the various customer groups that participated in the discussions from which several of the Transit Reservation System rule changes evolved. The Canal will continue to consider customers’ suggestions in our efforts to improve the Transit Reservation System.

ORIGINAL SIGNED

Jorge L. Quijano
Maritime Operations Director
FURTHER IMPLEMENTATION OF ACP NAVIGATION REGULATIONS, ARTICLES 15 AND 16

1. *Transit Slot Allocations.* The 21 authorized reserved transit slots will be allocated among booking periods and, subject to paragraph 2 below, the size of vessels set forth in the following table:

<table>
<thead>
<tr>
<th>Vessel</th>
<th>1st Period Booking</th>
<th>2nd Period Booking</th>
<th>3rd Period Booking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large vessels - 91ft. (27.74m) in beam and over</td>
<td>5</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Small vessels – under 91ft. (27.74m) in beam</td>
<td>2</td>
<td>2</td>
<td>5</td>
</tr>
<tr>
<td>Total of 21</td>
<td>7</td>
<td>5</td>
<td>9</td>
</tr>
</tbody>
</table>

2. *Passenger Vessel Allocations.* From October 1 to May 31, three of the seven reserved transit slots allocated to the first booking period are available exclusively for commercial passenger vessels on a first come, first served basis and without regard to vessel size or impact on vessel size allocations reflected in the above table. When the three slots for passenger vessels in the first booking period have been assigned, when assigning any remaining reserved transit slots to a passenger vessel in any of the three booking periods, no distinction will be made between commercial passenger vessels and other vessels.

3. *Unused Slots.* Upon expiration of a booking period, if a reserved transit slot allocated to that booking period was not utilized for whatever reason, the unused transit slot will be assigned to vessels seeking reserved transits in the booking period(s) that follow(s).

4. *Same Direction Transits/Large Vessels.* No more than six large vessels will be booked for transit in the same direction during normal conditions. Of these, no more than four large vessels with "full daylight-hour restrictions" will be booked for transit in the same direction.

(a) During Condition 2 no more than five large vessels will be booked for transit in the same direction and, of these, no more than three large vessels restricted to full daylight hours will be booked for transit in the same direction;

(b) During Condition 3 no more than four large vessels will be booked for transit in the same direction and, of these, no more than three large vessels restricted to full daylight hours be booked for transit in the same direction.
5. **Same Direction Transits/Small Vessels.** No more than five small vessels will be booked for transit in the same direction during normal conditions. Of these, no more than two shall be small vessels transiting under restrictions (for example, clear-Cut, daylight hours or daylight hours in the Cut).

   (a) During Condition 2 no more than four small vessels will be booked for transit in the same direction and, of these, only one may be a small vessel with transit restrictions (for example: clear-Cut, daylight hours or daylight hours in the Cut);

   (b) During Condition 3 no more than two small vessels will be booked for transit in the same direction and, of these, only one may be a small vessel with transit restrictions (for example: clear-Cut, daylight hours or daylight hours in the Cut).

6. **Transit Condition Changes.** When due to operational factors sustained Canal capacity is expected to be reduced, a corresponding reduction in the number of available reserved transit slots may be ordered by the Canal Authority, as set forth in the following table:

<table>
<thead>
<tr>
<th>Condition</th>
<th>Capacity</th>
<th>Large</th>
<th>Small</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Normal operations</td>
<td>34 - 42</td>
<td>12</td>
<td>9</td>
<td>21</td>
</tr>
<tr>
<td>2. Significant reduction in capacity (for example, lane outages)</td>
<td>Less than 34</td>
<td>9</td>
<td>7</td>
<td>16</td>
</tr>
<tr>
<td>3. Backlog for at least 2 days of 90 or more vessels awaiting transit. (The sum of both Canal terminals)</td>
<td>N/A</td>
<td>8</td>
<td>4</td>
<td>12</td>
</tr>
<tr>
<td>4. Severe reduction in Canal capacity (slides, vessel accidents or other critical circumstances)</td>
<td>N/A</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

7. **Condition 3/ Premium Booking Fee.** The Authority may invoke **Condition 3** whenever the total number of vessels awaiting transit at both Canal terminals is projected by Canal Authorities to be, within two days, 90 or more vessels for at least two consecutive days. NOTE: Invoking **Condition 3** automatically triggers the higher booking fee prescribed by the Panama Canal Authority Official Tariff, item No. 1050.0100. Condition 3 will be revoked whenever the number of vessels awaiting transit is projected to decrease, within two days, to 80 or fewer vessels.

8. **Notice of Changes.** Whenever transit conditions are to be upgraded to a less restrictive condition, and when feasible, Canal authorities will give vessel agents a two days notice.
9. **No Re-Assignments.** Once a vessel is assigned a reserved transit slot, that slot will not be re-assigned to any other vessel, unless the vessel’s reserved transit is subsequently canceled by the vessel agent or, as permitted herein, the vessel substitutes or swaps its reserved transit slot with that of another vessel booked for transit.

**ACP NAVIGATION REGULATIONS, ARTICLES 14 AND 20**

**Booked transits**

(a) The specific daily order of vessels and mix of vessel types transiting the Canal, whether booked or regular transits, shall be determined by the Authority. Except as provided herein, a vessel booked for transit may not transit prior to its reserved transit date, unless the Authority determines that assigning the vessel an earlier transit slot would not impair safe and efficient operation of the Canal.

(b) Notwithstanding assignment of an earlier reserved transit slot by the Authority all vessels booked for transit will be charged the prescribed booking fee.

(c) Substitution of reserved transit slots between or among vessels booked for transit will be permitted only on conditions specified by the Authority.

**FURTHER IMPLEMENTATION OF ACP NAVIGATION REGULATIONS, ARTICLES 14 AND 20**

1. **Dead Tows.** Dead tows and vessels that do not meet all transit and safety requirements cannot be booked for transit.

2. **Payment Authorization.** To participate in the Transit Reservation System, the vessel agent must furnish the Authority a letter containing the names and sample signatures of persons designated to authorize payment of the vessel's transit costs (including booking fees).

3. **Booking Form.** To request a reserved transit slot, the vessel agent must complete a Request for Transit Booking form (a sample copy is attached). The completed form may be faxed to (507) 272-5137, or personally delivered to Marine Traffic Control (MTC), Building 910, La Boca, 24 hours a day.

4. **Processing Requests.** Requests for reservations for the beginning of any period will be received daily beginning at 0900 hours, but processing will not begin until 0915 hours. Requests received between 0900 and 0915 hours will be treated as having been received at the same time. Thereafter, requests will be processed in the order they are received. If after 0915 hours a faxed request and a personally delivered request are logged simultaneously, the faxed request will be deemed to have been first.

5. **Tie-Breaker Criteria.** Between 0900 and 0915 hours, if transit reservation requests exceed the number of available reserved transit slots for any given period, assignment of available slots to vessels competing for reserved transits will be made in the following order of preference:
(a) To customers with the highest ranking of Panama Canal business. This ranking will be determined as the result of the weighted average of the ranking of total transits (40%) and the ranking of tolls paid (60%) during the preceding 12-month period ending the last day of the month preceding the month of the transit request. This customer ranking will be calculated and published each month by the ACP Marketing Department. The vessel’s SIQD form will be used to apply proper credit to customers for the transit of each of their booked vessels;

(c) To vessels in the order of frequency they transited booked during the preceding 12-month period ending the last day of the month preceding the month of the transit request;

(d) To vessels in the order of frequency they transited, whether booked or regular transits, during the preceding 12-month period ending the last day of the month preceding the month of the transit request;

(e) To vessels in the order of their most recent transit, whether booked or regular;

(f) To vessels carrying primarily perishable cargo, defined as cargo that is at least 50 percent and a minimum of 700 tons non-frozen, perishable goods; and

(g) To vessels which, on at least the two previous consecutive days, requested but failed to obtain reserved transit slots because they did not win under the preceding tie-breaker criteria.

6. Incomplete Booking Request Forms. Transit booking request forms that are incomplete (to specifically include not furnishing the vessel’s ETA), not signed by the vessel's agent, faxed to the wrong number, or personally delivered to someone other than the designated MTC reservation clerk cannot be processed.

7. Acknowledgments. Vessel agents will be furnished acknowledgments of receipt of transit booking requests as soon as possible following receipt.

8. Notifications. Notification of approval or disapproval of a transit booking requests will be furnished to the vessel agent at the conclusion of daily processing.

9. Substitutions. Substitution or "swapping" of reserved transit slots between two vessels booked for transit is permissible, subject to the following conditions:

(a) Both vessels must be booked for transit within six days;

(b) Both vessels must be transiting in the same direction;

(c) Both vessels must be within the same booking category (large, small) and be subject to the same or lesser transit restrictions and arrival requirements;

(d) Vessel operators must be the same for both vessels;

(e) A request for substitution must be received by Marine Traffic Control no later than 24 hours prior to the earliest required arrival time of the vessels. Such request may be made by telephone or in writing; and

(f) Vessels may substitute or swap reserved transit slots only once per booking.

(g) Booking fee will be charged in accordance with the higher PC/UMS tonnage of the two vessels.
ACP NAVIGATION REGULATIONS, ARTICLE 19

Passenger vessel preference; priority transits

Subject to being booked for transit and to the extent the Authority determines preference does not impair safe and efficient operation of the Canal, commercial passenger vessels will be given preference over other vessels in transiting.

ACP NAVIGATION REGULATIONS, ARTICLE 16
(Regulation to Set Tolls, Rates and Fees for the Transit of Vessels through the Canal, and Rendering Related Services and Complementary Activities, articles 1 and 4, Panama Canal Authority Official Tariff, item No. 1050.0000)

Booking fees

(a) The booking fee for reserving a transit slot for a vessel measured in accordance with ACP Admeasurement Regulations, article 10, shall be in accordance with the Panama Canal Authority Official Tariff.

(b) Whenever the total number of vessels awaiting transit at both Canal terminals is projected by Canal authorities to be, within two days, 90 or more vessels for at least two consecutive days, any vessel booked for transit that transits the Canal while this condition is in effect, shall automatically be assessed a higher booking fee in accordance with the Panama Canal Authority Official Tariff.

(c) Notwithstanding the provisions of subsection (b) of this section or any other contrary provision of this part, Canal authorities will guarantee a vessel booked for transit, a reserved transit slot at the booking fee rate in effect at the time the vessel is booked for transit, irrespective of any premium booking fee rate that may be in effect at the time the vessel actually transits the Canal.

FURTHER IMPLEMENTATION OF ACP NAVIGATION REGULATION, ARTICLE 16

1. Payments. Booking fees of vessels booked for transit shall be paid or secured in the same manner as tolls and other vessel charges prescribed by the ACP Official Tariff, item No.1010.0000.

2. All Vessels Included. Except as otherwise provided in the rules, all vessels booked for transit, including commercial passenger vessels, shall pay booking and other prescribed fees incident to transit of the Canal.
Penalties

(a) The reserved transit slot of a vessel booked for transit will be canceled by the Authority and the vessel will be penalized by way of forfeiture of the prescribed booking fee, or the applicable minimum fee, whichever is greater, in the following situations:

(b) When a vessel that is subject to transit restrictions (clear-Cut, clear-Cut daylight hours) has been booked for transit and does not arrive at a Canal terminal by 0200 hours on the day of the scheduled transit;

(c) When a vessel that is not subject to transit restrictions has been booked for transit and does not arrive at a Canal terminal by 1400 hours on the day of the scheduled transit; or

(d) When a vessel booked for transit arrives on time but cannot or, at the vessel operator's election, does not transit as scheduled despite the readiness of Canal authorities to proceed.

(e) However, vessels booked for transit that fail to arrive on schedule will be given the option of transiting on the same day as arrival if and when re-scheduling is possible without adversely affecting other vessels. Should these vessels choose to exercise this option, they will be subject to a penalty equal to 200 percent of their prescribed booking fee.

(f) Canal authorities may waive assessment of a penalty fee if the vessel agent presents acceptable proof that late arrival of the vessel was due to a medical or humanitarian emergency arising during the voyage, or a naturally occurring extraordinary phenomenon or event of major proportions that could not have been reasonably predicted in advance.

(g) Failure of the vessel agent to provide complete and accurate information required by the Authority when requesting transit bookings may result in rejection of the booking request or cancellation of the vessel's reserved transit slot.

(h) When a vessel's reserved transit slot is canceled, and unless otherwise directed by the vessel agent, upon arrival, the Authority will re-schedule the vessel for regular transit.

FURTHER IMPLEMENTATION OF ACP NAVIGATION REGULATIONS, ARTICLE 23

Waiver Criteria. The Authority must be able to independently verify the event that allegedly caused late arrival of the vessel. Heavy seas and bad weather conditions routinely encountered by vessels at sea are not considered extraordinary phenomenon or events of major proportions so as to justify waiver of assessment of penalty fees. The decision of the Canal Authority to waive or not waive assessment of penalty fees shall be final.

ACP NAVIGATION REGULATIONS, ARTICLES 17 AND 24

Re-scheduling

(a) Except as otherwise provided and without the vessel booked for transit being assessed a penalty fee, the vessel agent may request cancellation of a vessel's reserved transit slot and
reschedule the vessel for regular transit or, alternatively, may request assignment of an alternate reserved transit slot, in the following situations:

(1) If for whatever reason the Authority cancels the transit of a vessel booked for transit that is otherwise ready to proceed as scheduled; or

(2) If for whatever reason the Authority delays the transit of a vessel booked for transit to such a degree that the delay is likely to cause the vessel to be unable to meet its required arrival time for a later, second reserved transit booked before the delay of the first reserved transit occurred.

(b) A vessel booked for transit will be deemed to have transited the Canal on its reserved transit date if the vessel arrives at the first set of locks at either Canal terminal prior to 2400 hours that day and her In-Transit Time (ITT) is 18 hours or less. The ITT begins when the vessel enters the first set of locks at either Canal terminal and ends when the vessel departs the last set of locks at the opposite terminal. No booking fee will be charged if, due to events that are beyond the control of the vessel booked for transit as determined by the Authority, the ITT exceeds 18 hours; except that this provision shall not apply in the case of a turn-around transit, in which the vessel enters and exits the same set of locks at either Canal terminal.

**FURTHER IMPLEMENTATION OF ACP NAVIGATION REGULATIONS, ARTICLES 17 AND 24**

1. **Turn-Around Transits Excluded.** *ACP Navigation Regulation, Article 17,* shall only apply where, during the course of a scheduled transit, a vessel booked for transit enters the first set of locks at either Canal terminal and exits the last set of locks at the opposite Canal terminal. This rule shall not apply to a "turn-around" transit where, during the course of a scheduled transit, a vessel booked for transit enters and exits the same set of locks at either Canal terminal.

2. **Early Transits Excluded.** *ACP Navigation Regulations, Article 17,* also shall not apply where Canal authorities permit a vessel booked for transit to be moved through the Canal earlier than her reserved transit date.

**ACP NAVIGATION REGULATIONS, ARTICLE 22**

(Panama Canal Authority Official Tariff, items No.1050.0040 to 1050.0090)

**Cancellations**

(a) A vessel agent may cancel the transit reservation of a vessel by giving notice prescribed by the Canal Authority. In such event, except as otherwise provided, a cancellation fee will be charged. The amount of the fee will depend on the notice period (days or hours) received by the Authority in advance of the vessel's required arrival time according to this schedule:
<table>
<thead>
<tr>
<th>Notice Period</th>
<th>Cancellation Fee (the greater of)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(in advance of required arrival time)</td>
<td></td>
</tr>
<tr>
<td>31 to 364 days</td>
<td>10% of booking fee or $600</td>
</tr>
<tr>
<td>22 to 30 days</td>
<td>40% of booking fee or $900</td>
</tr>
<tr>
<td>4 to 21 days</td>
<td>60% of booking fee or $1,200</td>
</tr>
<tr>
<td>3 days to 36 hours</td>
<td>80% of booking fee or $1,500</td>
</tr>
<tr>
<td>Less than 36 hours</td>
<td>100% of booking fee</td>
</tr>
</tbody>
</table>

(b) Receipt of notice of cancellation of a transit reservation by the Canal Authority after the vessel's required arrival time will result in levy of a cancellation fee equal to the entire prescribed booking fee.

(c) **Slots cancelled during the 3rd period may be offered first to those vessels that fail to secure slot during tie breaker competition or any other interested vessels.**

**FURTHER IMPLEMENTATION OF ACP NAVIGATION REGULATION, ARTICLE 22**
*Panama Canal Authority Official Tariff, items No.1050.0040 to 1050.0090*

8. **Cancellation Form.** To cancel a transit booking the vessel agent must complete a Transit Booking Cancellation form (a sample copy is attached). The completed form may be faxed to (507) 272-5137 or personally delivered to Marine Traffic Control (MTC), Building 910, La Boca, 24 hours a day.

9. **Advance Cancellation Notice.** The date and time the cancellation notice is received by Marine Traffic Control will determine the amount of the cancellation fee, if any, to be assessed. The more advance notice given, the less amount of cancellation fee.