

This English translation is intended solely for the purpose of facilitating an overall understanding of the content of the original Spanish version. In those cases where differences may be found between the two, the Spanish document must be considered as the official version.

**AGREEMENT No. 305
(of May 25, 2017)**

"Whereby the proposal to modify the Panama Canal Tolls system and the rules of admeasurement for the use of the Panama Canal is approved"

**THE BOARD OF DIRECTORS
OF THE PANAMA CANAL AUTHORITY**

WHEREAS:

In accordance with article 319.2 of the Republic of Panama Political Constitution, and article 18.3 of the Panama Canal Authority Organic Law (No. 19 of June 11, 1997), the Panama Canal Authority Board of Directors must establish the tolls, rates, and fees for the use of the Canal and related services, subject to final approval of the Cabinet Council.

The Panama Canal Authority Administration has submitted for consideration by the Board of Directors a proposal to modify the Panama Canal tolls system and the rules of admeasurement of vessels for the Panama Canal, which is enclosed to be part of this Agreement.

The proposal submitted contains a justification of the reasons and factors taken into consideration for its formulation, in accordance with the provisions of the Panama Canal Authority Agreements issued by the Board of Directors for this purpose:

- No. 3 of November 12, 1998 and No. 127 of January 19, 2007 which regulates the Procedure to Revise the Panama Canal Tolls Rates and Rules of Admeasurement.
- No. 4 of January 7, 1999, No. 58 of August 16, 2002, No. 94 of March 30, 2005, No. 141 of June 21, 2007, No. 220 of November 25, 2010, No. 269 of October 30, 2014 and No. 295 of May 26, 2016, which regulate the establishment of tolls, rates, and fees for the transit of vessels through the Canal, and the rendering of related services and complimentary activities.
- No. 292 of May 26, 2016, which regulates the Rules of Admeasurement of Vessels for the setting of Tolls for the use of the Panama Canal.

Article 79 of the Organic Law prescribes that the Authority shall give interested parties an opportunity to participate in the consultation processes for the purpose of revising tolls and admeasurement rules by submitting, in writing, data, opinions, or arguments, and participating in a public hearing to be held at least 30 days after the date of publication of a notice in the official publication of the Authority in which said hearing is called.

The Board of Directors of the Panama Canal Authority is in agreement with the contents of the submitted proposal, and considers that it should be processed appropriately, pursuant to the applicable law and regulations.

AGREES:

ARTICLE ONE: To approve the proposal submitted by the Panama Canal Authority's Administration to modify the Panama Canal Tolls system and the rules of admeasurement of vessels for the use of the Panama Canal, which is enclosed to be part of this Agreement.

ARTICLE TWO: To order the initiation of the consultation and public hearing process established by the Organic Law, through publication in the Canal Record of the notification of the proposal, which is enclosed to be part of this Agreement.

ARTICLE THREE: To appoint the following members of the Board of Directors as members and officers of the Committee that shall conduct the consultation and public hearing process:

José A. Sosa	Chairman
Oscar Ramírez	Vice chairman
Alberto Vallarino C.	Member
Francisco Sierra	Member
Roberto R. Roy	Member

ARTICLE FOUR: To designate Mr. Jorge L. Quijano, Administrator, Panama Canal Authority, as Secretary of the Committee that will conduct the consultation process and public hearing.

ARTICLE FIVE: This Agreement will take effect as of the date of its publication in the Panama Canal Record.

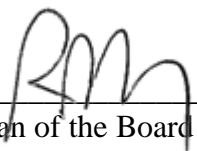
AUTHORITY: Article 319 of the Republic of Panama Political Constitution; articles 9, 18, and 79 of Law 19 of June 11, 1997, Panama Canal Authority Organic Law; and Panama Canal Agreements Nos. 3, 4, 58, 94, 127, 141, 182, 220, 269, 292 and 295 issued by the Panama Canal Authority Board of Directors.

Given in the City of Panama, on the twenty-fifth (25) of May, two thousand and seventeen (2017).

TO BE PUBLISHED AND ENFORCED.

Roberto R. Roy

Rossana Calvosa de Fábrega


Chairman of the Board of Directors


Secretary

PROPOSAL TO MODIFY THE PANAMA CANAL TOLLS SYSTEM AND RULES OF ADMEASUREMENT OF VESSELS FOR THE USE OF THE PANAMA CANAL

THE BOARD OF DIRECTORS OF THE PANAMA CANAL AUTHORITY

ANNOUNCES:

1. PROPOSAL TO MODIFY THE PANAMA CANAL TOLLS SYSTEM AND THE RULES OF ADMESASUREMENT OF VESSELS FOR THE USE OF THE PANAMA CANAL.

During an ordinary session, the Board of Directors of the Panama Canal Authority approved Agreement No. 305 of May 25, 2017, whereby the proposal to modify the Panama Canal tolls system and the rules of admeasurement of vessels for the use of the Panama Canal is approved, the initiation of the consultation and public hearing process established by law is ordered, the members of the Panama Canal Authority Board of Directors' Committee that shall conduct the public consultation and hearing are designated, and the Secretary of the Committee is appointed.

This Agreement, which is an integral part of the proposal to modify the Panama Canal tolls system and the rules of admeasurement of vessels for the use of the Panama Canal, will be available to the interested parties as of the date of this publication.

2. ESSENCE OF THE PROPOSED CHANGE.

The Panama Canal Authority proposes an adjustment in the tolls and structure of certain market segments, and changes to articles 2 and 25 of the Regulation for the Admeasurement of Vessels for the setting of Tolls for the use of the Panama Canal, which determine the conditions under which a vessel is considered to be in ballast, and modifications to the rules of admeasurement.

- 2.1.** The Panama Canal Authority proposes the modification of the tolls system of certain market segments (see enclosed tables), which takes into consideration the effect upon our clients and users of the cost that the transit of the Panama Canal has over the goods transported in the vessels, the vessels' operating costs, and alternate transportation routes or modes. This proposal also takes into consideration, the competitive position of the Panama Canal, the interests of its principal user countries and their merchant fleets, their different geographical areas and regions and their economies. Therefore, it has been concluded that the proposed adjustments do not constitute a relevant part of the total cost of transport and do not affect the competitiveness of the products in their respective markets.

Reformulation for full container vessels

Container Vessel Tolls effective October 1, 2017				
Locks	TEU Range	Tariff for TTA maximum capacity	Tariff for loaded containers on board (TEU)	Tariff for loaded containers on board in return voyage (TEU) 1/
Panamax	< 1,000	\$60	\$30	N/A
	>= 1,000 < 2,000	\$60	\$30	
	>= 2,000 < 3,500	\$60	\$30	
	>= 3,500	\$60	\$30	
Neopanamax	< 6,000	\$60	\$40	N/A
	>= 6,000 < 7,000	\$50	\$40	\$30
	>= 7,000 < 8,000	\$50	\$40	\$30
	>= 8,000 < 9,000	\$50	\$40	\$25
	>= 9,000 < 10,000	\$50	\$35	\$25
	>= 10,000 < 11,000	\$50	\$35	\$20
	>= 11,000 < 12,000	\$50	\$35	\$20
	>= 12,000	\$50	\$35	\$20

1/ Tariff applied only to neopanamax vessels that transit northbound and later southbound, and which comply with the following conditions:

- Northbound transit with vessel's utilization greater than or equal to 70% of Total TEU Allowed.
- Time period between the northbound transit (when the vessel departs Canal waters) and the start of the southbound transit of the same vessel should not exceed 25 days. The time spent by vessels in port operations in ports in the Republic of Panama is not included in the aforementioned 25 days.
- The proposed tariff will be implemented to all southbound transits effective October 1st, 2017 that comply with all the conditions mentioned above.

Proposal for a new tariff for loaded containers on board in the return voyage (TTLR):

The full container vessel segment proposal includes a new tariff for loaded containers on board in the return voyage, applicable only to neopanamax vessels that transit northbound and later southbound, and comply with the following conditions:

- Vessel's percentage utilization during its northbound transit should be greater than or equal to 70 percent (70%) of Total TEU Allowed.
- The time period between the end of the northbound transit (when the vessel leaves Canal waters) and the start of the southbound transit should not exceed 25 days. The time spent by vessels in port operations in ports in the Republic of Panama is not included in the aforementioned 25 days.

- The proposed tariff will be applied to vessels transiting southbound effective October 1, 2017, which comply with the aforementioned conditions.

Reassignment of the “container/breakbulk” vessel to the General Cargo segment

Tolls per PC/UMS Ton effective October 1, 2017				
Market Segment		Proposed Tariff		
Reassignment from "Other" to "General Cargo"		1st 10 K	2nd 10K	Rest
Container / Breakbulk vessels	Laden	\$5.25	\$5.14	\$5.06
	Ballast	\$4.19	\$4.12	\$4.05
TEU tolls for non-container vessels that carry containers on deck.				\$90

Reformulation of the tolls applicable to LPG gas carrier vessels

Tolls - LPG Vessels effective October 1, 2017 Panamax Locks		
Bands in m³	Laden	Ballast
First 5,000	\$6.49	\$5.19
Next 20,000	\$2.70	\$2.16
Next 30,000	\$2.60	\$2.08
Rest	\$2.25	\$1.80

Tolls - LPG Vessels effective October 1, 2017 Neopanamax Locks		
Bands in m³	Laden	Ballast
First 5,000	\$8.25	\$6.60
Next 20,000	\$3.06	\$2.44
Next 30,000	\$2.88	\$2.30
Rest	\$2.21	\$1.77

The ballast tariff will be applied to the LPG vessels transporting up to a maximum of 2 percent (2%) of the total cubic meters (m³) of LPG cargo capacity of the spaces designed and certified for such use.

Reformulation of the tolls applicable to LNG gas carrier vessels

Tolls - LNG Vessels effective October 1, 2017			
Bands in m ³	Laden	Ballast	Ballast (Roundtrip)
First 60,000	\$2.88	\$2.56	\$2.30
Next 30,000	\$2.47	\$2.16	\$2.01
Next 30,000	\$2.38	\$2.07	\$1.84
Rest	\$2.25	\$1.97	\$1.73

The ballast tariff will be applied to the LNG vessels transporting up to a maximum of 10 percent (10%) of the total cubic meter (m³) of LNG cargo capacity of the spaces designed and certified for such use. The operators that use the same LNG vessel for a voyage to and return from a specific destination through the Panama Canal, will pay the laden tariff for the laden portion of the trip, and would be eligible for the roundtrip ballast fee if the return transit in ballast is made within 60 days after the laden transit.

- 2.2. The Panama Canal Authority proposes to modify Article 2 of the Regulation of Admeasurement of Vessels for the setting of Tolls for the use of the Panama Canal, which contain definitions, adding the following to read as follows:

“**Article 2:** The terms, expressions and acronyms used in the present regulation will have the following definitions:

...

Total loaded TEU during transit in the return voyage (TTLR): It is the total TEU loaded during transit (TTL), applicable to a neopanamax vessel in its return voyage, with a utilization percentage in the northbound transit equal to or greater than 70 percent of loaded containers (TTL) and returning in a time period not greater than 25 days. This maximum period of 25 days is between the end of the northbound transit (when the vessel leaves Canal waters) and the start of the southbound transit. The time spent by vessels in port operations in ports in the Republic of Panama in their return voyage is not included in the aforementioned 25 days.

...”

- 2.3. The Panama Canal Authority proposes to modify Article 25 of the Regulation of Admeasurement for the setting of Tolls for the use of the Panama Canal to read as follows:

“Article 25: For billing purposes a vessel will be deemed in ballast as long as it meets the following conditions:

1. It is not transporting any passengers, the latter being the ones who pay fare; or a cadet in the case training (school) vessel. The ballast condition of a vessels is not affected by courtesy passengers.
2. It is not carrying fuel for its own consumptions in amounts that exceed the capacity designated and certified for such use, as established in the vessel’s capacity plan or official documents.
3. It is not carrying containers above deck. If it carries containers above deck, the Authority will determine the purpose of the containerized cargo. If such purpose is not commercial, it will be charged the NTT but the ballast condition is maintained. If the purpose of the containerized cargo is commercial, it will be charged the NTT and the toll tariff for cargo transported must be charged.
4. LPG gas carriers can carry a maximum of 2 percent of the total cubic meter cargo capacity (LPG) designated and certified for such use, as determined in the vessel’s capacity plan or any pertinent source document utilized.
5. LNG vessels can carry a maximum of 10 percent of the total cubic meter cargo capacity (LNG) designated and certified for such use, as determined in the vessel’s capacity plan or any pertinent source document utilized.
6. It is not carrying cargo, materials or products, except for the vessel’s operation or for the crew’s use or consumption, as determined by the Authority.

Notwithstanding the aforementioned, a vessel of any segment shall be deemed in ballast when it transits with a minimum utilization percentage as determined by the Board of Directors as requested by the Administration. As such, the Administration shall present in advance to the Board of Directors a properly supported and reasoned proposal indicating the segment and vessel type, the minimum utilization percentage for the vessel to be deemed in ballast, and the time frame or time of the year in which this provision is to be applied.”

3. IMPLEMENTATION OF PROPOSED CHANGES.

- 3.1.** The price and structure adjustments in tolls and the rules of admeasurement will be effective October 1, 2017.

4. INVITATION TO PARTICIPATE IN THE PUBLIC CONSULTATION AND HEARING.

Interested parties are invited to participate in the consultation and public hearing of the proposal to modify the Panama Canal tolls system and the rules of admeasurement of vessels for the use of the Panama Canal. The following dates are established:

4.1. Public Consultation: There will be a public consultation period that begins on the date of this publication and expires on July 3, 2017, at 4:15 p.m., local time.

4.2. Public Hearing: A public hearing will be held on July 5, 2017, at the “Ascanio Arosemena” complex, as indicated in paragraph 7.

5. FORM OF PARTICIPATION OF THE INTERESTED PARTIES.

The interested parties may participate in the consultation period and public hearing in accordance with the following rules:

5.1. As of the publication date of this notification, the consultation period is open, and the interested parties may present data, opinions, and statements in writing, in English or Spanish, which must be received by the Panama Canal Authority with a deadline of July 3, 2017, at 4:15 p.m., local time.

5.2. All who have participated in the consultation process described above in paragraph 4.1 may participate in the public hearing, to be held on the date indicated in paragraph 4.2, directly or through their duly accredited representatives, provided that they have announced in writing, during the consultation period, their intent to participate in the hearing. This notification must be sent to the addresses indicated in paragraph 6.4 of this document, and shall contain the name and address of the interested party and the capacity under which he/she shall present himself/herself. The announcement of participation in the public hearing must be received in writing, in English or Spanish, no later than July 3, 2017 at 4:15 p.m., local time, and the recorded date and time of receipt of notification shall determine the order in which the interested party shall participate in the public hearing.

6. REQUEST AND FORWARDING OF INFORMATION.

6.1. Persons interested may access an electronic copy of the proposal, both in Spanish and English, in the Panama Canal Authority website (www.micanaldepanama.com-Spanish, www.pancanal.com –English or the direct link www.pancanal.com/peajes), or request a copy in person from the Executive Vice Presidency for Planning and Business Development, located in house #119, Erasmo Méndez Icaza Street in Balboa, or by fax at (507) 272-1416 or by mail to the address indicated in paragraph 6.4.

- 6.2.** Those interested in expressing their comments, opinions, information, or arguments during the consultation period, shall submit them in writing, in English or Spanish, in person, by facsimile, or by sending them via Courier or mail before the date indicated in paragraph 4.1 of this document. No communications shall be accepted by electronic mail.
- 6.3.** Those interested in participating in the public hearing must announce their interest in writing, in English or Spanish, in person, by facsimile, or by sending them via Courier or mail before the date indicated in paragraph 4.1 of this document. No communications shall be accepted by electronic mail.

Likewise, a printed copy of their presentation contents is required before attendance to the hearing, if possible.

6.4. Address to send the above-mentioned documentation:

Personal o via courier en Panamá:

Panama Canal Authority de Panamá
PROPOSAL TO MODIFY THE PANAMA CANAL TOLLS SYSTEM AND THE
RULES OF ADMEASUREMENT OF VESSELS FOR THE USE OF THE PANAMA
CANAL
Erasmus Méndez Icaza Street, Balboa – House #119
Executive Vice Presidency for Planning and Business Development
Strategic Relations Management Section (MERC)
Balboa, Ancon, Republic of Panamá

or

By facsimile to:

(507) 272-1416

7. PLACE AND TIME OF THE PUBLIC HEARING.

The public hearing shall be held in the “Ascanio Arosemena” complex, Balboa, Republic of Panamá, and shall begin at 9:00 a.m., local time.

8. PUBLIC HEARING PROCEDURE.

The Board of Directors of the Panama Canal Authority has designated the following Board members as members and officers of the Committee that shall conduct the consultation and public hearing process (referred to from here on as the Committee):

José A. Sosa	Chairman
Oscar Ramírez	Vice chairman
Alberto Vallarino C.	Member
Francisco Sierra	Member
Roberto R. Roy	Member

The Board of Directors of the Panama Canal Authority has appointed Mr. Jorge L. Quijano, Administrator of the Panama Canal Authority, as secretary of the Committee.

- 8.1.** The Committee shall examine all the information that has been properly and timely presented, relative to the comments, data and information provided by the interested parties during the consultation period.
- 8.2.** The Committee shall commence the public hearing in the established place, and on the established date and time. The President of the Committee shall inform the participants the purpose of the hearing is to hear the arguments in favor or against the proposal.
- 8.3.** The President of the Committee shall announce the order of each participant's presentation, in accordance with the provisions of paragraph 5.2 of this document, and each one shall begin his/her presentation in that order.
- 8.4.** Participants in the public hearing shall be called upon individually to make their statements and express their points of view on the proposal, for a maximum of five (5) minutes. The Committee shall analyze and decide on the appropriateness of extending this period of time as they deem convenient, on a case-by-case basis, and shall inform the participants of their decision. Presentations with visual aids, slides, "PowerPoint" or any other devices, shall not be allowed.
- 8.5.** The purpose of individual participation is merely expository; therefore, no debates or questions and answers shall be admitted between the members of the Committee and the participants, or between participants.
- 8.6.** The members of the Committee shall receive the testimony or statements of the interested parties in relation to the proposed modification.
- 8.7.** After the public hearing, the Committee shall analyze the documentation presented, and the presentations of the participants, and shall submit a report to the Board of Directors of the Panama Canal Authority, within a reasonable time, of the proceedings and the pertinent recommendations.

PANAMA, REPUBLIC OF PANAMA, JUNE FIRST (1), TWO THOUSAND AND SEVENTEEN (2017)