



Dr Ricaurte Vásquez Morales
CEO/Administrator
Panama Canal Authority
Balboa, Ancon
Republic of Panamá

17 May 2022

Dear Dr Vásquez,

RE: GLOBAL SHIPPING INDUSTRY COMMENTS ON ACP PROPOSAL TO MODIFY THE PANAMA CANAL TOLLS SYSTEM AND THE REGULATIONS FOR THE ADMEASUREMENT OF VESSELS

We hope that this letter finds you and the team at the Panama Canal Authority in good health.

Thank you for providing us with the opportunity to comment formally on the proposed modifications to the Panama Canal toll system and the regulations for the admeasurement of vessels via the ACP's public consultation process on this issue. We greatly appreciated the opportunity to submit prior queries to the ACP on these proposals, and further to our previous communication, are now pleased to provide below our formal comments on this matter.

Simplification of Toll Structure

We would first like to reiterate that the global shipping industry welcomes the rationale behind the proposal to drastically simplify the canal's toll structure, reducing the number of applicable tolls from over 400 to less than 50, and consequently reducing the complexity of the system for the canal's customers.

We further appreciate the proposed timeframe of allowing for one years' notice ahead of any changes to tolls under this system, which is in keeping with the levels of price adjustment transparency and predictability required by industry, allowing customers sufficient foresight to make any necessary adjustments to their business requirements.

Calculation of Tariffs

With regard to the calculation of tariffs for individual market segments, we would like to highlight some concern regarding the rate of increase in toll levels for specific industry sectors. We understand from the proposals that some industry sectors including for example RoRo and PCTC vessels would face an increase of between 30-40% in tariffs by 2025, while some LPG and reefer vessels, could experience rate increases of over 80% by 2025 when compared to current levels. We further note that the tariffs for vessels such as combination carriers under this proposal would be between 25.7% and 67% more expensive than the rates imposed for tankers and bulk carriers respectively performing the same amount and type of work.

Each of these modifications would signify an unprecedented level of increase over a period of forecast continued market uncertainty in the wake of the COVID-19 pandemic. As we mentioned during our productive meeting at the end of last year, it is important that any long-term pricing structure developed during this period of unprecedented market activity, particularly given the increased instability resulting from the geopolitical situation in Eastern Europe, takes this exceptional situation fully into account.

We appreciate, however, that the calculation of tariffs in this regard is designed to reflect the value of the canal to its customers, and as such may also be intended to incorporate the value of operational sustainability and capacity projects for the Panama Canal. In this regard, we would be pleased to learn more about whether the financing for such projects, including for example the ongoing water conservation projects, are designed to be included in the proposed toll structure, thereby reducing the future requirement for additional fees such as the Freshwater surcharge which are currently applied. Any clarification on this matter would be greatly appreciated given the exceptional increase in price noted above.

Ballast Toll Calculation

Similarly, we would be pleased to receive further clarification on the calculation of ballast tolls in this proposal, as we note a significant increase in the proposed rates for vessels sailing in ballast when compared to the comparative increase in tolls for laden voyages. We note, as an example, that under the proposed tariffs for RoRo vessels, for a 70% laden vessel, tariffs over the 2023-2025 period will increase by approximately 40%, while the same vessel sailing in ballast would be subject to an approximate 60% increase in ballast tariff over the same period.

As ballast sailings do not generate any direct economic benefit for the shipping companies, and yet are a crucial modus operandi of many industry segments, we would be keen to understand the rationale behind this comparative increase in cost for ballast voyages.

Closing Remarks

Finally, we welcome the aim of this strategy, designed to provide simple, predictable tolls for transit of the Panama Canal and we sincerely appreciate the opportunity provided to industry by the ACP to contribute to this formal consultation process, ahead of the public hearing to consider these comments on 20 May. Given the paramount importance of the continuation of these dialogues between the ACP and industry, particularly during the ongoing fluctuation in global shipping market conditions, we look forward to liaising with the ACP closely on this issue and others of mutual interest.

Yours sincerely,



Mr Guy Platten
Secretary General
ICS



Mr Yuichi Sonoda
Secretary General
ASA



Mr Sotiris Raptis
Secretary General
ECSA