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Dr Ricaurte Vásquez Morales
CEO/Administrator
Panama Canal Authority
Balboa, Ancon
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28 January 2022

Dear Dr Morales,

RE: GLOBAL SHIPPING INDUSTRY COMMENTS ON NEW TOLL STRUCTURE PROPOSED BY THE PANAMA CANAL AUTHORITY

We hope that this letter finds you well and that you have enjoyed a good beginning to the New Year.

Thank you for sharing with us the ACP's position paper on the proposed new toll structure for the Panama Canal, which we understand is designed to ensure predictable transit pricing until 2028. We were pleased to be able to discuss this initiative during our meeting with you and your team on 2 December, and are glad to provide below our initial comments on the position paper.

Simplification of Toll Structure

First, ICS welcomes the proposed simplification of the canal's toll structure, designed to drastically reduce the number of applicable tolls from over 400 to less than 50, thereby reducing the complexity of the system for the canal's customers. We further appreciate the proposed timeframe of allowing for one year's notice ahead of any changes to tolls under this system, which is in keeping with the levels of adjustment transparency and predictability required by industry in order to fully communicate price changes with customers.

The introduction of fixed fees, applicable according to size of vessel and lock system used to transit, is also welcomed, as (following our discussion on 2 December) we understand that this stable and permanent pricing structure will be necessary to provide the advertised predictability of pricing for industry until 2028.

Further Clarification on Capacity Tariff

While we welcome the proposal of fixed fees with regard to vessel size and the lock system used to transit the canal, we are concerned to understand more about the proposed Capacity Tariff which could form part of the overall toll structure. We note that this Capacity Tariff (per vessel and size type) is designed to '[address] the value of the service provided by the Canal to each market segment and size category.'

We understand that this tariff (depending on how 'value of service' is further defined) could constitute a market-linked charge, and as such would welcome any additional information the ACP is able to provide on the way in which this Capacity Tariff would be calculated. As raised during our meeting on 2 December, and in previous communication, the variable nature of a market-linked tariff structure appears at first sight out of keeping with the stated intention of the new toll structure to enable prediction of transit tolls until 2028. Similarly, given the extraordinary situation in which the industry finds itself as a result of the COVID-19 pandemic, it is important that any long-term pricing structure developed during this period of unprecedented market activity, takes this exceptional situation fully into account.

Ballast vs Laden Transit Condition

We note in the ACP's position paper that with regard to calculating ballast vs laden tolls: 'vessels transiting in ballast will pay a percent of the regular laden toll, independent of the market segment'. While we understand this development is designed to simplify the proposed toll structure, we would appreciate some further clarification on this matter. We understand this proposal to mean that a fixed percentage of the laden toll could be applied arbitrarily across all vessels which are transiting neither fully laden nor completely in ballast, irrespective of the actual load of vessel at the time of transit.

If this interpretation is correct, we are concerned that the new structure could in practice severely disadvantage segments of industry whose vessels rarely sail in a complete ballast condition (e.g. vehicle carriers), who may be required to pay the same ballast toll irrespective of ballast condition, be it 5% or 95%. Without accurately reflecting this differentiation, there is concern that the proposed toll structure would weaken the relationship between the value of the trip and the price of transit for the canal's customers. For the avoidance of doubt, we would advocate that the ballast toll is calculated as a percentage based on the actual load of vessel at the time of transit, to avoid arbitrary tolls which would not accurately reflect the value provided to the customer.

Individual Market Segment Concerns

In addition to the above, our members have expressed concerns that under the proposed toll structure, there could be unintended arbitrary consequences for certain vessel types. An example of this would be the classification of Combination Carriers

under this proposed new system, which (given their ability to transport both dry and wet cargo) may be classed as 'Other Vessels' under the structure as proposed. We would therefore ask that, when considering amendments to this proposed toll structure ahead of implementation, Combination Carriers are considered as either Tanker or Dry Bulk vessels (as opposed to 'other vessels'), with the consequent toll structure applying.

Further to the above, we understand that additional viewpoints on individual market segments may be forthcoming from other industry stakeholders during this consultation period, and hope these will be equally considered by the ACP.

Closing Remarks

Finally, we sincerely appreciate the opportunity provided to industry by the ACP to see and comment on the development of this proposed structure, ahead of its formal publication and consultation process which we understand is due to begin in March 2022. We welcome the aim of this strategy, designed to provide simple, predictable tolls for transit of the Panama Canal, and are looking forward to continuing these important discussions with you as the strategy is developed further.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Guy Platten', with a horizontal line underneath it.

Mr Guy Platten
Secretary General
International Chamber of Shipping