



JAPANESE SHIPOWNERS' ASSOCIATION

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

I am writing this letter to respectfully convey to you our serious concerns and earnest request regarding the ACP's new charges to be implemented on 15 February.

We have noted the ACP's 'ADVISORY TO SHIPPING NO.A-02-2020' amended by 'A-03-2020' and your letter dated 27 January to the Secretary General of the International Chamber of Shipping, where JSA representatives serve as a board member and chairman of its Canal Sub-Committee.

First of all, we would like to express our profound respect to the ACP concerning your tireless efforts to cope with the water levels issues caused by historically less rainfall, a rise in local temperature and an increased demand for fresh water by Panamanian citizens, while securing the maximum numbers for transit, which properly responds to user demand.

However, we perceive the ACP's proposal this time to be another hike of the toll itself as the new surcharges are not directly linked to the concrete capital cost, and we very much regret that the ACP has unilaterally published such a significant rise of the toll to be implemented within just one month without prior consultation with users, including the JSA. We are afraid that such a way may contravene the recent practice of the ACP.

As we have presented at our regular dialogue meetings, all increases of the transit costs should be explained by the carriers to the shippers, followed by amendments of their long-term contracts when applicable, and the modification of the shippers' payment systems. One-month notice does not allow the industry to do these and our member carriers and their customers are very confused at the moment. We sincerely hope that the ACP recognise the Canal's role as global infrastructure to provide stability and reliability to customers worldwide.

It is also difficult for us to understand why the ACP will go ahead with such an additional toll rise when the implementation of the main parts of the 2020 tolls revision will be postponed to April 2020 in accordance with the industry's request to mitigate the impact of the tolls revision, which was originally planned to be implemented on the exact same date (1st January, 2020) as the enforcement of the new SOx regulation.

Generally speaking, when a shipping company intends to introduce a new surcharge such as a new type of bunker surcharge to its customers, they always explain the basis of the calculation and the use of the surcharge as much as possible in advance to maintain good business communication. The ACP's new fees this time, especially the newly introduced Fresh Water Surcharge, have however not undergone such a process and deviate from the international commercial practice.

Having said that, we fully understand that the water resource problem, which may relate to climate change, is a critical issue to the Panamanian citizens who rely on their fresh water from the Gatun Lake and its government, as well as the ACP and shipping companies. This is why we strongly believe that we need sufficient discussions among all stakeholders of the Gatun Lake such as the ACP, Panamanian central/local government, Canal users and related nations which can assist the project, concerning the burden sharing and appropriate level of the tolls/surcharges. We would also like to propose that the significant yearly operational surplus of the ACP be used for the project.

In conclusion, in order to restore users' unshaken confidence in the Canal management, the JSA respectfully urge the ACP to reconsider and defer the implementation date of the new fees, especially the Fresh Water Surcharge, until the discussions concerning the water issue have made certain progress.

Your kind reconsideration would be extremely appreciated.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tadaaki Naito', with a long horizontal flourish extending to the right.

Tadaaki Naito
President

The Japanese Shipowners' Association

cc: His Excellency Carlos Pere, Ambassador of Panama to Japan and Consul General of Panama in Tokyo