



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 with reference to the ACP's position paper concerning the new Panama Canal Pricing Structure you kindly sent to us in December 2021.

First of all, the JSA highly appreciates that you presented the position paper to the industry well before the implementation and even before the beginning of the one-month formal public consultation period, which we once suggested was too short.

With regard to the paper itself, we also appreciate that you indicated that any future toll adjustment will be made with at least one year's' advance notice before the implementation, duly reflecting the JSA's long-standing request. The notion of the simplification of the very complex tariff is also basically welcomed, while we have concern that an alternative system concerning ballast and laden transits could be oversimplification and not duly reflect the practical value which the Canal confers.

On the other hand, we would like to reiterate our position that the stability of the tolls is of great importance. We believe that a sudden change, a significant toll hike at one time or a large difference (increase or decrease in the toll) from the current tariff, depending on the ship type and the ship size, should be equally avoided.

Although we have not found such a description in the position paper of December, if you intend to incorporate a factor of the economic or market indices in the public domain in the new toll system, an extremely careful design and examination should be necessary, as such indices vary very frequently in accordance with the ship type, cargo on board and trade lane, and only represent the trends in the past. They are not capable of reflecting ongoing and future market trends. The JSA strongly hopes that the Panama Canal will continue to underpin international logistics as a stable infrastructure, and in order to secure its stability,

the introduction of market elements in an automatic manner as a variant factor of the new toll system should be avoided.

We would also like to suggest that the current 'good' shipping market is an extraordinary and exceptional one caused by the unprecedented COVID-19 pandemic and its knock-on effects. We would therefore strongly request the ACP to fully consider this point if you intend to establish a long-term pricing system at the moment. A review of the toll system at a certain timing in accordance with a change in the business or legal environment concerning international shipping or technological innovation should, of course, be justified. Such a review could be compatible with long-term stability.

And taking this opportunity, we would appreciate it if you could present the implications of the ACP's investment to secure water resources in the new toll system, as we firmly believe that the costs for such an investment should be shared equally by all beneficiaries, including users of the Canal and people in Panama. Your clarification concerning the relationship between the Fresh Water Surcharge and the new toll system would also be appreciated. The JSA cordially requests the ACP that such a charge with significant scale should be regarded as a 'toll', and when it is introduced, an appropriate hearing with the related parties, followed by an examination by the ACP before the introduction, should be required.

Lastly, as I mentioned above, unfortunately, it is highly unlikely that the current 'good' shipping will not last long. We would like to request the ACP to establish a system which can flexibly respond to changes in the shipping business environment, especially in a downward direction.

I look forward to a frank discussion with you in late February on our requests above.

Thank you once again for the constant attention and consideration that you give to the JSA.

Yours sincerely,

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

Keiji Tomoda

Vice President

The Japanese Shipowners' Association

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