



PANAMA CANAL AUTHORITY

PROPOSAL TO MODIFY THE PANAMA CANAL TOLLS

April 2010

Message from the Panama Canal Administrator/CEO

On April 26, 2010, the Panama Canal Authority (ACP) Board of Directors approved a proposal to modify the Panama Canal pricing structure.

The ACP thoroughly analyzed various alternatives and held conversations with the maritime industry for several months, to ensure that the suggested price structure safeguards the competitiveness of the waterway and allows the Canal to provide a valuable service to world commerce.

Beginning in June 2009, the ACP provided temporary measures to help users mitigate the effects of the ongoing economic crisis. Once these measures reached their term in September 2009, they were extended until April 30, 2010 at the industry's request.

In view of the current world economic situation and its impact on the shipping industry, the ACP has decided not to proceed with a tolls adjustment in 2010 and set January 2011 as the new date for implementing the tolls presented in this proposal.

This proposal modifies the pricing structure for all Canal segments: container, dry bulk, liquid bulk, vehicle carriers, reefers, passenger, general cargo and others.

For the container segment, the ACP proposes a change in the way tolls are calculated, with a slight price adjustment to the capacity charge, and an additional new charge that would apply only to the number of loaded containers aboard the vessel at the time of transit. This measure adds transparency to the structure and aligns it more with the way the segment operates.

It is important to note, that during the last ten years, the ACP has executed a multi-million dollar modernization program to upgrade the Canal's infrastructure and equipment in order to provide the quality service demanded by the users.

The program has reduced Canal Waters Time from 31.6 hours in 2008 to 23.1 hours in 2009, and currently the average time is 20 hours. These improvements have resulted in faster service and, in some cases have reduced the need for transit reservations providing substantial savings to Canal users.

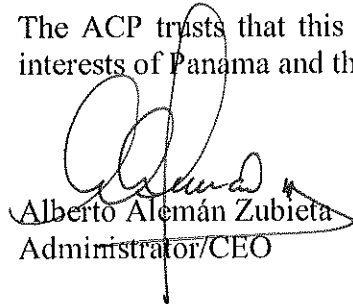
The Panama Canal expansion project, approved through a national referendum, continues to move forward -on time and within budget- with the construction of a third set of locks at a cost of \$5.25 billion.

With the beginning of operations in 2014 of the new infrastructure, the Canal will double its capacity. This project spurs the continuous growth of international trade through the waterway allowing for the transit of larger, wider and deeper draft vessels. In this way, the industry will benefit from economies of scale that will result in lower transportation costs for world commerce.

Following is the ACP's proposal to modify Canal tolls; all interested parties are invited to participate in the consultation and public hearing process to be held in Panama City, Panama, on June 1, 2010.

The ACP will consider all the correspondence received by 4:15 p.m. (local time), May 27 as well as the comments and opinions presented during the public hearing.

The ACP trusts that this proposal will be received in the spirit of serving the national interests of Panama and that of the global maritime industry.



Alberto Alemán Zubieta
Administrator/CEO

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 authoritative version.

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PROPOSAL TO MODIFY THE PANAMA CANAL TOLLS

I. BACKGROUND

The Panama Canal opened its doors to world shipping in 1914. Since then and until December 31, 1999, the United States Government managed the Panama Canal. During the period of U.S. administration the Canal was a non-profit organization and its financial policies, as well as its tolls, were basically oriented to recover operating and capital costs. The tolls system was designed so that the total cost of operating and improving the Canal could be distributed proportionally among all of the vessels that transit the Canal. During the eighty-five years of U.S. administration Panama Canal tolls underwent nine changes which can be seen in Table No. 1:

Table No. 1
Panama Canal Toll Rates from 1914 to 2002
Charges by Net Ton

	Laden	Ballast	Displacement	% Change
1914 - 1938	\$1.20	\$0.72	\$0.50	0.0%
March 1, 1938 - 1974	\$0.90	\$0.72	\$0.50	-25.0%
July 8, 1974 - 1976	\$1.08	\$0.86	\$0.60	19.7%
November 18, 1976 - 1979	\$1.29	\$1.03	\$0.72	19.5%
October 1, 1979 - 1983	\$1.67	\$1.33	\$0.93	29.3%
March 12, 1983 - 1989	\$1.83	\$1.46	\$1.02	9.8%
October 1, 1989 - 1992	\$2.01	\$1.60	\$1.12	9.8%
October 1, 1992 - 1997	\$2.21	\$1.76	\$1.23	9.9%
January 1, 1997 - 1998	\$2.39	\$1.90	\$1.33	8.2%
January 1, 1998 - 2002	\$2.57	\$2.04	\$1.43	7.5%

During the period shown in the above table, the Canal maintained a pricing policy based on the concept of **“one price fits all”** where, for merchant vessels, toll calculations are based on their volumetric capacity measured in Panama Canal / Universal Measurement System (PC/UMS) Net Tonnage¹, which only differed if the vessel transited laden (with cargo or passengers) or ballast (not carrying passengers nor cargo), and in the case of other floating craft, including dredges, dry docks and warships, which were charged tolls on the basis of displacement tonnage².

During the U.S. administration, payments from the Canal to the Government of Panama were \$1,878 million. Between 2000 and 2009, the Panama Canal Authority's payments to the Panamanian government were \$4,719 million.

¹ PC/UMS or Panama Canal / Universal Measurement System is the system employed by the Panama Canal to measure the volumetric capacity of a vessel to transport cargo for the purpose of assessing tolls.

² The weight of salt water (in long tons) that the vessel displaces.

During the years 2002-2003, the Panama Canal Authority (ACP), the autonomous entity of the Government of Panama with exclusive charge for the administration, operation and maintenance of the waterway, introduced the initial phase of a new pricing structure, established price differentiation by size of vessel and laid the foundations for a market segmentation by type of vessel that takes into account segment necessities and characteristics and the value proposition offered by the Panama Canal to each segment. The structure is as shown in Table No. 2:

Table No. 2
Panama Canal Authority
Tolls in effect as of October 1, 2002

Vessel Type	First 10,000 tons PC/UMS		Next 10,000 tons PC/UMS		Remaining tons PC/UMS	
	Laden	Ballast	Laden	Ballast	Laden	Ballast
General Cargo	\$2.80	\$2.22	\$2.78	\$2.21	\$2.75	\$2.18
Refrigerated Cargo	\$2.80	\$2.22	\$2.78	\$2.21	\$2.75	\$2.18
Dry Bulk	\$2.80	\$2.22	\$2.78	\$2.21	\$2.75	\$2.18
Tankers	\$2.80	\$2.22	\$2.78	\$2.21	\$2.75	\$2.18
Full Container	\$2.80	\$2.22	\$2.78	\$2.21	\$2.75	\$2.18
Vehicle Carrier	\$2.80	\$2.22	\$2.78	\$2.21	\$2.75	\$2.18
Passenger Vessels	\$2.80	\$2.22	\$2.78	\$2.21	\$2.75	\$2.18
Others	\$2.80	\$2.22	\$2.78	\$2.21	\$2.75	\$2.18
Displacement	\$1.56 per displacement ton					

Tolls shown in Table No. 2, which reflect an average increase of approximately 8 percent, became effective on October 1, 2002 for all segments.

In 2005, the ACP implemented a change in its admeasurement system applicable only to full container vessels and those vessels with container-carrying capacity on-deck. The adjustment modified the traditional measure utilized as the charge basis for these vessels, from PC/UMS Net Ton to a twenty feet container, or TEU (“twenty-foot equivalent unit”) and established the total TEU capacity, including on-deck, adjusted for the visibility restrictions of the ACP, as the basis for the new charge. The implementation of a TEU-based toll allowed operators of container vessels to transfer Canal transit costs to their users in a more transparent manner. All other market segments remained unchanged in their tolls. Table No. 3 shows the tolls approved in 2005 and the various effective dates:

Table No. 3
Panama Canal Authority
TEU Tolls on the basis of a twenty foot container
For the full container market segment and other vessels
that carry containers on-deck

Laden	Ballast	Effective Dates
\$42.00	\$33.60	May 1, 2005
\$49.00	\$39.20	May 1, 2006
\$54.00	\$43.20	May 1, 2007

Effective May 1, 2007, the Panama Canal Authority modified its tolls system and regulations of admeasurement, to more closely align the Canal toll charges with the value this route offers. Tolls by segment were raised in general, and in response to the cruise industry, the way of charging passenger vessels was modified to make the Canal cost portion more transparent to the final user. The aforementioned changes are shown in Table No. 4.

Table No. 4
Modification of the Regulations for the Admeasurement of Vessels and the Tolls
System 2007 – 2009 (in \$U.S. Dollars)

Market Segment					Current			2007			2008			2009		
								Effective 1st of			Effective 1st of			Effective 1st of		
TEU Toll																
Full Containers	Laden	49.00			May	54.00			May	63.00			May	72.00		
	Ballast	39.20				43.20				50.40				57.60		
On-Deck Container Toll in other vessels	Laden	49.00			May	54.00			May	63.00			May	72.00		
Toll per berth																
Passenger Vessels 1/	Laden Ballast	N/A			October	100.00 80.00			October	115.00 92.00			October	120.00 96.00		
Tolls per PC/UMS Ton																
		1st 10K	2nd 10K	Rest	Effective 1st of	1st 10K	2nd 10K	Rest	Effective 1st of	1st 10K	2nd 10K	Rest	Effective 1st of	1st 10K	2nd 10K	Rest
General Cargo	Laden	2.96	2.90	2.85	July	3.26	3.19	3.14	May	3.63	3.56	3.50	May	3.90	3.82	3.76
	Ballast	2.35	2.30	2.26		2.59	2.53	2.49		2.88	2.82	2.77		3.10	3.03	2.98
Refrigerated Cargo	Laden	2.96	2.90	2.85	October	3.39	3.32	3.26	October	3.80	3.72	3.65	October	3.80	3.72	3.65
	Ballast	2.35	2.30	2.26		2.69	2.63	2.59		3.01	2.95	2.90		3.01	2.95	2.90
Dry Bulk	Laden	2.96	2.90	2.85	July	3.20	3.13	3.08	May	3.50	3.43	3.37	May	3.73	3.65	3.59
	Ballast	2.35	2.30	2.26		2.54	2.48	2.44		2.78	2.72	2.67		2.96	2.90	2.85
Tankers	Laden	2.96	2.90	2.85	July	3.29	3.22	3.16	May	3.70	3.63	3.57	May	3.98	3.92	3.85
	Ballast	2.35	2.30	2.26		2.61	2.55	2.51		2.94	2.88	2.83		3.18	3.11	3.05
Vehicle Carriers	Laden	2.96	2.90	2.85	July	3.24	3.18	3.12	May	3.60	3.52	3.46	May	3.87	3.79	3.72
	Ballast	2.35	2.30	2.26		2.57	2.52	2.47		2.86	2.80	2.75		3.07	3.01	2.95
Passenger Vessels 1/	Laden	2.96	2.90	2.85	October	3.39	3.32	3.26	October	3.80	3.72	3.65	October	3.95	3.87	3.80
	Ballast	2.35	2.30	2.26		2.69	2.63	2.59		3.01	2.95	2.90		3.14	3.07	3.02
Others	Laden	2.96	2.90	2.85	July	3.32	3.25	3.19	May	3.78	3.70	3.64	May	4.12	4.04	3.97
	Ballast	2.35	2.30	2.26		2.63	2.58	2.53		3.00	2.94	2.89		3.27	3.20	3.15
Toll per Displacement Ton																
Displacement		1.64			July	1.84			May	2.09			May	2.28		

Notes: 1/ Vessels above 30,000 gross tons (GRT) and whose PC/UMS tonnage divided by maximum passenger capacity (PAX-ITC) ratio is less than 33, shall pay tolls on a per berth basis. If such a ratio is greater than 33, tolls shall be paid on the basis of PC/UMS tonnage. Vessels below or equal to 30,000 GRT shall also pay on the basis of PC/UMS tonnage.

Since the changes implemented in 2002, the Canal has been revising its pricing policy, moving from a cost-recovery basis to a system that takes into account the value of the route for the various users.

In the years prior to the current global economic downturn, the demand for Canal services had steadily increased due partially to external factors, but also because the Canal has maintained a reliable, safe and efficient service to the satisfaction of both operators and shippers, allowing the transportation of goods to their destinations in the required times and at a reasonable cost. As a result, the Panama Canal has become the preferred route by shippers for the transportation of cargo from Asia to the United States east coast, since this route permits efficient inventory management and a reduction of operating and storage costs.

This document proposes modifications to the tolls system of the Panama Canal in accordance to the pricing policy of the Panama Canal Authority.

II. RATIONALE OF THE PROPOSAL

1. The Panama Canal price policy and the economic criteria that serve as its basis:

- Tolls will be established so that they reflect the value provided by the Canal to its users.
- Tolls will be set so that their relative value is maintained over time and will be periodically adjusted to consider inflation.
- Tolls will be established at appropriate levels to maintain the competitiveness of the Panama route at all times and to reach a profitability level in accordance with the risk levels, investment amounts and the value added by the Canal to its users, so that the payments to the National Treasury and the benefits to Panama are increased in a sustainable manner.

2. Value of the route by segment

The transportation industry has evolved significantly as a result of globalization and advances in logistics and the administration of supply chains. Among the consequences of globalization have been on the one hand, a sizable growth in the demand for transportation; on the other hand, in a globalized world, the supply chain has turned more complex and has grown dependent on “just-in-time” services in which factors such as safety and reliability are of utmost importance to maintain and enhance trade competitiveness.

One key part to the solution to the aforementioned trade requirements has been containerization, which refers to the way in which the use of the container has revolutionized the shipping industry and liner services. The first containers appeared in the mid-50's in the United States and allowed shipping lines to achieve higher asset utilization, reduce time spent in ports, and maximize vessel rotation, thus increasing profit margins. Today, the container is the preferred method of shipping finished products; it offers multiple benefits such as improved cargo security and protection, greater efficiency in cargo handling, and easier consolidation and distribution. Containerization has had a marked impact in all of the transportation industry, especially in the shipping lines, port operators and the development of intermodal transportation.

The Canal provides a distinct value to the vessel operator and the shipper. Dry bulkers and tankers, which offer a service contingent upon the variability of their itineraries, carry mostly raw materials. Contrastingly, liner services follow a fixed itinerary and transport added-value finished goods and require a high level of reliability and expeditious service. For liner service operators, the most important factor is to transit in the shortest possible time on the specific day of its itinerary.

Since each market segment (vessel type) serves specific commercial flows, each segment follows different alternate routes. Usually, dry bulkers, which carry items such as grain, agricultural products, metals, copper minerals, fertilizers, wood products, etc., use capes and straits as alternatives to the Panama Canal; in the case of liquid bulkers, which carry crude oil, petroleum products, chemical and petrochemicals, oil and gas pipelines are also transportation options. On the other hand, cargo transported in liner service vessels, which is usually high-value cargo, can also employ other waterways or channels and intermodal land services such as rail and trucks.

All the aforementioned alternatives are competition to the Panama Canal route; historically the prices of these alternatives have been adjusted according to market forces to maximize their profitability. Route decisions depend on different factors that affect the total transportation cost, including the cost of fuel, daily charter rate, capital costs, ship chandlery, travel time and the relative cost and reliability of the various alternatives.

The current global economic downturn has had a significant impact in the economy of the United States - the main origin and destination country of the cargo that transits the Panama Canal - and particularly in the consumption of goods and services. As a result, the demand for finished products and hence, the volume of cargo transported by ship, has declined.

In light of this situation, and in response to clients' requests, the ACP implemented some temporary measures to assist in mitigating the effects of the economic downturn in our clients. These temporary measures included the application of the ballast toll

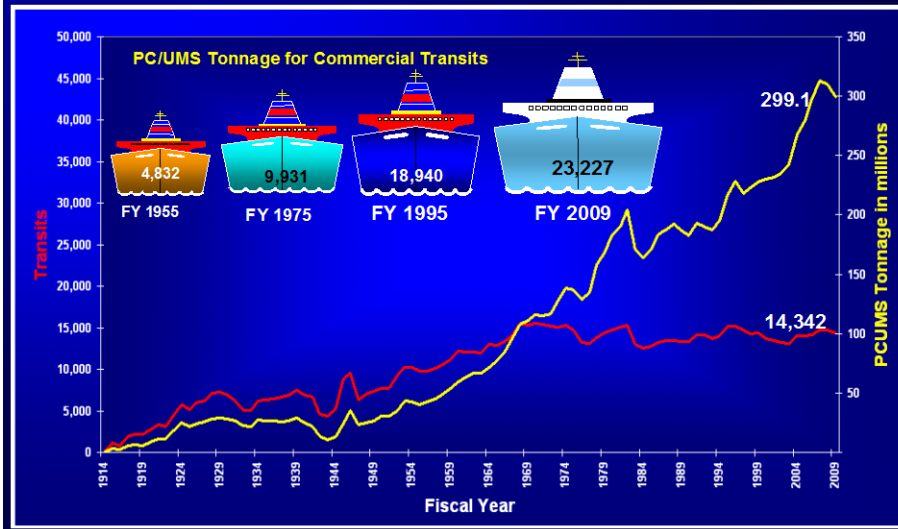
rate to full container vessels transiting with a utilization of its capacity of 30 percent or less, and reductions in certain transit reservation system tariffs. These measures were originally set to be effective during the period from June 1, 2009 to September 30, 2009; however, at the industry's request, the measures were extended until April 30, 2010.

The Panama Canal Authority, as a result of the current economic downturn, delayed the implementation of some programmed price adjustments, which had been informally discussed with the industry in 2006, when the last toll proposal to modify the regulations for the admeasurement of vessels and the tolls system was presented. The recession had a negative effect on the shipping industry, particularly on those who invested heavily by placing orders of new vessels during the prior boom years. Today, some segments of the industry continue to face problems related to fleet over-capacity, which in turn affects freight rates and the financial results of the firms involved. However, the first glimpses of economic recovery are surfacing and it is expected that a gradual improvement in global trade will take place. The medium and long term perspectives continue to be promising; consequently, the ACP has decided to continue the implementation of measures that will allow the Canal charges to further approach the value of the route.

During informal consultations between November 2009 and April 2010, the ACP presented to the industry a new price structure. While some segments were receptive to these changes, others indicated that the economic downturn had such a detrimental effect on their financial condition that they were unable to absorb any kind of price increases in 2010. Upon consideration the suggestions received, the ACP developed a new proposal, choosing to postpone the implementation of the new tolls until January 2011.

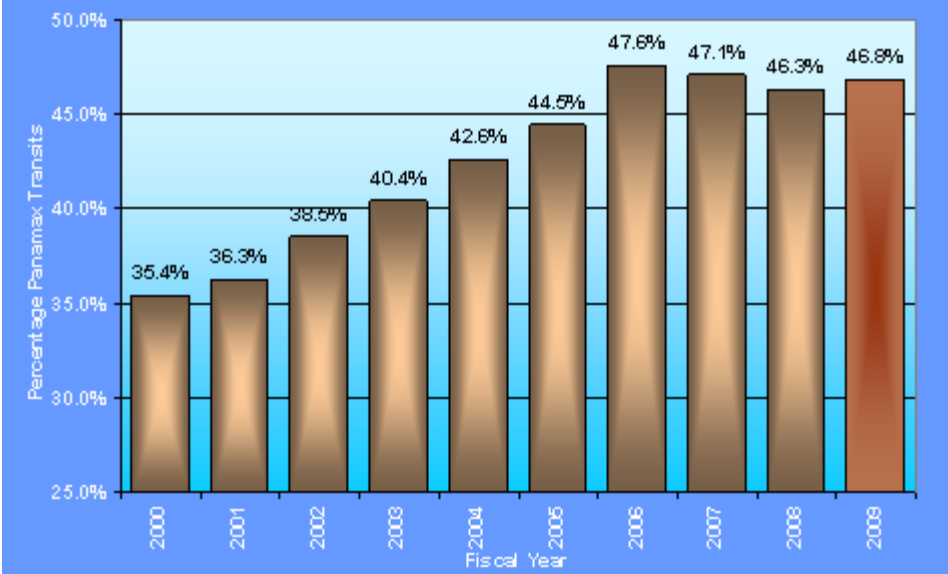
It is noteworthy that in spite of the economic recession, the traffic through the Canal has remained relatively stable, which points to the value of this route. In fiscal year 2009, which runs from October 1, 2008 thru September 30, 2009, the Canal registered 299.2 million PC/UMS tons, a mere 3.4 percent decline from the prior fiscal year. Transits totaled 14,342, a decrease of only 2.4 percent over the previous year. The increase in dry bulk and liquid bulk transits compensated for the traffic decline in the full container and vehicle carrier segments.

Transits vs. PC/UMS Tonnage FY 1914 – FY 2009



Source: ACP Corporate Data Warehouse

Panamax Transits of $\geq 100'$ (30.5m) of Beam FY 2000 - FY 2009



Source: ACP Corporate Data Warehouse

A Panamax Vessel is a vessel whose beam or breadth is greater than or equal to 30.5 meters (100 feet). It is the largest vessel that can transit the Panama Canal. In the

above graph it is shown that in spite of the 2009 economic crisis, Canal traffic remained at relatively constant levels.

On the other hand, the ACP is continuously investing in structure and equipment improvements that allow it to keep providing a reliable, safe and efficient service to its users. Since the year 2000 to the present, the Canal has invested over \$1,600 million in improvements, such as an enhanced lighting system at the locks which allows an extended daylight transit period, the acquisition of new tugs, the construction of two new tie-up stations for vessels and the reconstruction of the launch fleet, among others. These improvements have made possible two additional transits per day and have decreased Canal waters time (the time in which a vessel completes its transit, including waiting time), which have allowed our clients in many cases to transit without using the transit reservation system. In fiscal year 2009, the average Canal waters time was reduced to 23.1 hours, from 31.6 hours in 2008. All of the aforementioned has translated into a greater reliability in Canal service and resort reductions in clients' costs in the order of around \$75 million due to the option to transit without resorting to the transit reservation system.

Summarizing, the route via the Panama Canal offers time and distance savings, which mean improved vessel utilization and profitability for vessel operators; in the case of importers and exporters, the Canal represents greater reliability and shorter delivery times for goods, which facilitates inventory turnover and better market positioning.

3. Canal expansion

The Panama Canal expansion project, estimated at a cost of \$5,250 million, includes building two new locks complexes in both the Pacific and the Atlantic terminals, which will allow doubling the Canal capacity, PC/UMS tonnage wise, increasing the number of transits, allowing transits of longer and wider vessels including full container vessels of up to 12,600 TEU and other vessels of up to approximately 170,000 deadweight tons. The project execution will not disrupt in any way the traffic through the present Canal and is expected to benefit all market segments by increasing the Canal's capacity. The project is advancing in all aspects according to the schedule and as of December 2009, the most important contracts had been awarded.

The Canal expansion will benefit its users, Panama and world trade. In addition to augmenting the Canal capacity, it will improve Canal services to the maritime industry and world trade flows, and facilitate the movement of goods between important markets. Likewise, the Canal expansion will allow Panama to become the transportation logistics hub of America, thereby strengthening the maritime route through the Panama Canal.

Considering the ACP investment to enhance the value of the route to its users, this proposal fulfills the criteria that tolls shall be established at appropriate levels to maintain the competitiveness of the Panama route at all times and to reach a profitability level in accordance with the risk levels, investment amounts and the value added to its users.

III. PROPOSAL

The Panama Canal Authority, with the purpose of continuing to more closely align Canal toll charges to the value of the route, proposes:

1. New fixed (capacity)/variable (containers with cargo) toll structure for the full container segment, according to the structure presented in Table No. 5, effective January 1, 2011.

In the current structure, full-container vessels are charged exclusively according to their capacity, either laden or ballast. Under this pricing structure, the Canal is unaffected by variations in the levels of vessel utilization efficiency. Under the scheme mentioned in point 1, full-container vessels would pay: a) a fixed tariff (tariff applied to total capacity) applicable to the vessel's cargo capacity in accordance with the capacity registered in the Canal (Total TEU Allowance), and b) a fixed tariff applied to the actual number of TEUs with cargo on board during the transit as determined by the ACP. This structure could be attractive to customers in times of economic downturns, when vessels transit with lower utilization levels, in addition, such a structure would prove advantageous for the clients in their return portion. In contrast, during booming economic periods in which vessels are loaded close to capacity, a structure such as the one described would result in higher revenues to the Canal than under a single capacity charge. Hence, it is important to note that the Canal would be sharing the risk with the client.

2. An increase in general terms to the Panama Canal tolls per market segment, for the passenger, general cargo, refrigerated cargo, dry bulk, tankers, vehicle carriers and others segments, as shown in Table No. 5, effective January 1, 2011. Minimum tolls are excluded from these modifications and will continue to be applied according to previously established basis.

Table No. 5
Panama Canal Authority
Proposal to Modify the Panama Canal Tolls
(in U.S. dollars)

					2011			
Market Segment		Present Tolls			Proposed Tolls			
					Effective 1st of			
TEU Toll								
Full Containers	Laden	72.00	January	Capacity	74.00			
				Container with cargo	8.00			
				Container w/o cargo 2/	-			
	Ballast	57.60		Ballast	65.60			
On-Deck Container Toll in other vessels	Laden	72.00	January	82.00				
Tolls per Berth								
Passenger Vessels 1/	Laden	120.00	January	134.00				
	Ballast	96.00		108.00				
Tolls per PC/UMS Ton								
		1st 10K	2nd 10K	Rest	Effective 1st of	1st 10K	2nd 10K	Rest
General Cargo	Laden	3.90	3.82	3.76	January	4.41	4.32	4.25
	Ballast	3.10	3.03	2.98		3.53	3.46	3.40
Refrigerated Cargo	Laden	3.80	3.72	3.65	January	4.29	4.20	4.12
	Ballast	3.01	2.95	2.90		3.43	3.36	3.30
Dry Bulk	Laden	3.73	3.65	3.59	January	4.38	4.23	4.16
	Ballast	2.96	2.90	2.85		3.50	3.38	3.33
Tankers	Laden	3.98	3.92	3.85	January	4.46	4.39	4.31
	Ballast	3.18	3.11	3.05		3.57	3.51	3.45
Vehicle Carriers	Laden	3.87	3.79	3.72	January	4.33	4.24	4.17
	Ballast	3.07	3.01	2.95		3.46	3.39	3.34
Passenger Vessels 1/	Ladden	3.95	3.87	3.80	January	4.42	4.33	4.26
	Ballast	3.14	3.07	3.02		3.54	3.46	3.41
Others	Laden	4.12	4.04	3.97	January	4.61	4.52	4.45
	Ballast	3.27	3.20	3.15		3.69	3.62	3.56
Tolls per Displacement Ton								
Displacement		2.28			January	3.02		

Note: 1/ Vessels above 30,000 gross tons (GRT) and whose PC/UMS tonnage divided by maximum passenger capacity (PAX-ITC) ratio is less than 33, shall pay tolls on a per berth basis. If such a ratio is greater than 33, tolls shall be paid on the basis of PC/UMS tonnage. Vessels below or equal to 30,000 GRT shall also pay on the basis of PC/UMS tonnage.
2/ Containers without cargo will continue to be charged as part of the total vessel capacity.

IV. IMPACT ANALYSIS

The Authority has models developed by consulting firms to produce traffic forecasts that incorporate in their structure all macroeconomic variables that affect international trade, their relationship to traffic through the Canal and the possible sensitivity of this traffic to changes in the pricing structure for the waterway. The Authority regularly analyzes the manner in which Canal costs affect total voyage costs of the main routes, vessel types, and commodities. This analysis also considers commodity prices, other elements that are part of maritime transportation costs, and its fluctuations over the last few years and its impact on foreign trade of the main user countries that benefit from the route through Panama. Finally, the analysis also takes into account the historical evolution of both traffic and cargo through the Canal.

Impact analyses have been conducted to gauge the effect upon our clients and users of the waterway, taking into consideration the competitive position of the Canal vis-a-vis other transportation routes or modes, the interests of the principal user countries and their merchant fleets, their different geographical areas and regions and their economies. It has been concluded that the impact of the proposed increases does not represent a significant portion of total transportation costs and does not affect the competitiveness of the products in their respective markets (see Annex C).

AGREEMENT No. 207
(of April 26, 2010)

**"Whereby the proposal to modify the Panama Canal Authority's
tolls system is approved"**

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

WHEREAS:

The Panama Canal Administration has submitted a proposal to modify the Panama Canal Authority's regulations for the tolls system, for consideration by the Board of Directors of the Panama Canal Authority.

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 No. 3 of November 12, 1998 and 127 of January 19, 2007 which regulates the Procedure to Revise the Panama Canal Authority's Regulations for the Admeasurement of Vessels and the Tolls System, and the Panama Canal Authority Agreements No. 4 of January 7, 1999, No. 58 of August 16, 2002, No. 94 of March 30, 2005, and No. 141 of June 21, 2007, which regulates the establishment of tolls, fees, and tariffs for the transit of vessels through the Canal, and ancillary services.

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

AGREES:

FIRST: To approve the proposal submitted by the Canal administration to modify the Panama Canal Authority's tolls system.

SECOND: To order initiation of the consultation and public hearings process established by law, through publication in the Canal Record of the notification of the proposal, in accordance with the Annex of this Agreement.

THIRD: To designate the following members of the Board of Directors as members and officers of the Committee that shall conduct the consultation and public hearings process:

Alfredo Ramírez, Jr.
Guillermo Chapman, Jr.
Eduardo A. Quirós B.
Rafael E. Bárcenas P.

President
Vice-president

José A. Sosa A.

FOURTH: Mr. Alberto Alemán Zubieta, Administrator, Panama Canal Authority, shall act as Secretary of the Committee.

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

AUTHORITY: Articles 9, 18 and 79 of Law 19 of 1997, and Panama Canal Agreements Nos. 3, 4, 7, 58, 94, 127, and 141 of the Panama Canal Authority Board of Directors.

Issued in Panama, Republic of Panama, on April twenty six , two thousand and ten.

FOR PUBLICATION AND ENFORCEMENT.

Rómulo Roux

Rossana Calvosa de Fábrega

Chairman of the Board

Secretary

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 authoritative version.

PROPOSAL TO MODIFY THE PANAMA CANAL TOLLS

THE BOARD OF DIRECTORS OF THE PANAMA CANAL AUTHORITY

ANNOUNCES:

1. PROPOSAL TO MODIFY THE PANAMA CANAL AUTHORITY'S TOLLS SYSTEM, IN CONSIDERATION WITH THE ARGUMENTS AND RECOMMENDATIONS PRESENTED BY THE INTERESTED PARTIES.

During an ordinary session, the Board of Directors of the Panama Canal Authority approved the Agreement No. 207 of April 26, 2010, whereby the proposal to modify the Panama Canal Authority's tolls system is approved, the consultation and public hearing process is set to begin, and the Secretary of the Committee that will conduct the public consultation and hearing is designated. This proposal is available to the interested parties as of the date of this publication.

2. ESSENCE OF THE PROPOSED CHANGE.

The Panama Canal Authority (hereinafter referred to as the Authority) proposes a modification of the tolls system by market segment (see enclosed table). The proposed tolls take into consideration the Canal impact on the cargo transported, vessel operating costs and the existing transportation alternatives.

PROPOSAL TO MODIFY THE PANAMA CANAL TOLLS
(in \$U.S. dollars)

				2011				
Market Segment		Present Tolls	Proposed Tolls					
			Effective 1st of					
TEU Toll								
Full Containers	Laden	72.00	January	Capacity	74.00			
				Container with cargo	8.00			
				Container w/o cargo 2/	-			
	Ballast	57.60		Ballast	65.60			
On-Deck Container Toll in other vessels	Laden	72.00	January	82.00				
Tolls per Berth								
Passenger Vessels 1/	Laden	120.00	January	134.00				
	Ballast	96.00		108.00				
Tolls per PC/UMS Ton								
		1st 10K	2nd 10K	Rest	Effective 1st of	1st 10K	2nd 10K	Rest
General Cargo	Laden	3.90	3.82	3.76	January	4.41	4.32	4.25
	Ballast	3.10	3.03	2.98		3.53	3.46	3.40
Refrigerated Cargo	Laden	3.80	3.72	3.65	January	4.29	4.20	4.12
	Ballast	3.01	2.95	2.90		3.43	3.36	3.30
Dry Bulk	Laden	3.73	3.65	3.59	January	4.38	4.23	4.16
	Ballast	2.96	2.90	2.85		3.50	3.38	3.33
Tankers	Laden	3.98	3.92	3.85	January	4.46	4.39	4.31
	Ballast	3.18	3.11	3.05		3.57	3.51	3.45
Vehicle Carriers	Laden	3.87	3.79	3.72	January	4.33	4.24	4.17
	Ballast	3.07	3.01	2.95		3.46	3.39	3.34
Passenger Vessels 1/	Ladden	3.95	3.87	3.80	January	4.42	4.33	4.26
	Ballast	3.14	3.07	3.02		3.54	3.46	3.41
Others	Laden	4.12	4.04	3.97	January	4.61	4.52	4.45
	Ballast	3.27	3.20	3.15		3.69	3.62	3.56
Tolls per Displacement Ton								
Displacement		2.28			January	3.02		

1/ Vessels above 30,000 gross tons (GRT) and whose PC/UMS tonnage divided by maximum passenger capacity (PAX-ITC) ratio is less than 33, shall pay tolls on a per berth basis. If such a ratio is greater than 33, tolls shall be paid on the basis of PC/UMS

2/ Containers without cargo will continue to be charged as part of the total vessel capacity.

3. INVITATION TO PARTICIPATE IN THE PUBLIC CONSULTATION AND HEARING

Interested parties are invited to participate in the consultation process and public hearing. The following dates are established:

3.1 Public Consultation: There will be a public consultation period that begins on the date of this publication and expires on May 27, 2010, at 4:15 p.m, local time.

3.2 Public Hearing: A public hearing will be held on June 1, 2010, in the place indicated below:

4. FORM OF PARTICIPATION OF THE INTERESTED PARTIES

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

4.1 As of the publication date of this notification, the consultation period is open, and the interested parties may present data, opinions, or statements in writing, in English or Spanish, which must be received by the deadline of May 27, 2010, at 4:15 p.m., local time.

4.2 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 3.2, 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 5.4 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 May 27, 2010 at 4:15 p.m., local time, and the recorded date and time of receipt of the notification shall determine the order in which the interested party shall participate in the public hearing.

5. REQUEST AND FORWARDING OF INFORMATION

5.1 Persons interested may access an electronic copy of proposal, both in Spanish and English, in the Panama Canal Authority website (www.pancanal.com), or request a copy in person from the Office of Marketing Research and Analysis, located in the Canal Administration Building, Balboa, or by fax at (507) 272-7377 or (507) 272-1416, or by mail, to any of the addresses indicated in paragraph 5.4.

5.2 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.

5.3 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.

5.4 Addresses to send the above-mentioned documentation:

Personal or via Courier in Panamá:

Autoridad del Canal de Panamá
Propuesta de modificación de los peajes
Edificio de la Administración – Oficina 320
Oficina de Investigación y Análisis de Mercado
Unidad de Relaciones con los Clientes (MERC)
Balboa, Ancón, República de Panamá

or

By mail in the United States of America:

Panama Canal Authority
Proposal
Customer Relations Unit (MERC)
P.O. BOX 526725
Miami, FL 33152-6725
United States of America

or

By Facsimile to:

(507) 272-7377
(507) 272-1416

6. PLACE AND TIME OF THE HEARING

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

7. PUBLIC HEARING PROCEDURE

A Committee of members of the Panama Canal Authority Board of Directors has been designated to conduct the public consultation and hearing:

Alfredo Ramírez, Jr.	President
Guillermo Chapman, Jr.	Vice-president
Eduardo A. Quirós B.	
Rafael E. Bárcenas P.	
José A. Sosa A.	

Alberto Alemán Zubieta, Administrator, shall act as Secretary of the Committee.

- 7.1 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.
- 7.2 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 that the purpose of the hearing is to hear the arguments in favor or against the proposal.
- 7.3 The President of the Committee shall announce the order of each participant's presentation, in accordance with the provisions of paragraph 4.2 of this document, and each one shall begin his/her presentation in that order.
- 7.4 Participants in the public hearing shall be called upon individually to make their statement 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, "power point" or any other devices, shall not be allowed.
- 7.5 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.
- 7.6 The members of the Committee shall receive the testimony or statements of the interested parties in relation to the proposed modification.
- 7.7 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, within a reasonable time, of the proceedings and the pertinent recommendations.

PANAMA, REPUBLIC OF PANAMA, APRIL TWENTY-SEVEN, TWO THOUSAND AND TEN (2010).

ANNEX B – LEGAL REFERENCES

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 authoritative version.

The legal instrument that governs the establishment of Panama Canal tolls derives from Title XIV of the Political Constitution of the Republic of Panama, the Neutrality Treaty, and the Organic Law of the Panama Canal Authority (Law No. 19 of June 11, 1997), and its Regulations.

Political Constitution of the Republic of Panama **Title XIV**

Article 319. The board of directors shall have the following powers and duties, without prejudice to any other as determined by the Constitution and the Law:

...

2. Set tolls, charges, and fees for the use of the Canal and its related services, subject to final approval by the Cabinet Council.

...

Article 321. The Panama Canal Authority shall make annual payments to the Panama National Treasury per Panama Canal net ton or its equivalent, from the monies collected from vessels transiting the Panama Canal, which are subject to the payment of tolls. The rates for these payments shall be set by the Panama Canal Authority, and shall not be less than those paid to the Republic of Panama for the same concept on December 31, 1999. By reason of their transit through the Panama Canal, vessels, their cargo, passengers, owners or operators, or their operation, as well as the Panama Canal Authority may not be subject to any other national or municipal tax.

Neutrality Treaty

The treaty pertaining to the Permanent Neutrality of the Canal and the Operation of the Panama Canal, establishes in its article III, numeral 1, point c, that tolls and others charges for transit and ancillary services will be fair, reasonable and equitable and consistent with the principles of International Law.

Law No. 19 of June 11, 1997
"Whereby the Panama Canal Authority is Organized"

Article 9. The Authority shall set the tolls to be charged for use of the Canal, fees, and rates for services rendered, as well as the rules for the admeasurement of ships which will be in force in the Canal, in accordance with the National Constitution, this Law, and the Regulations.

Article 18. In addition to the authority assigned by the National Constitution, the Board of Directors shall exercise the following functions:

...

2. Determine, upon previous consultation with the Administrator, the vessel admeasurement system to be used by the Canal.

3. Set the tolls, rates, and fees for use of the Canal and related services, subject to final approval of the Cabinet Council.

...

5. Approve, pursuant to the authority granted by the pertinent general provisions established in this Law, the necessary or appropriate regulations for the proper operation, and modernization of the Canal, including the following:

...

k. Regulations to set tolls, rates, and fees charged by the Authority and its concessionaires for the transit of vessels through the Canal, and the rendering of related services.

...

Article 21. The Chairman of the Board of Directors shall exercise the following functions:

...

5. Submit and justify to the Cabinet Council the revision of tolls, fees, and rates charged by the Authority and its concessionaires for the rendering of services. In these instances he shall be accompanied by the Administrator, who shall have a right to be heard.

...

Article 25. The Administrator shall have the following functions and duties:

...

6. Draft the regulations for the proper operation and adequate modernization of the Canal and submit them for consideration and approval by the Board of Directors.

...

10. Reply to any inquiry made by the Board of Directors regarding the setting of tolls, fees, and rates for Canal transit and related services rendered by the Authority.

Article 39. The Authority shall pay annually to the National Treasury fees per Panama Canal net ton, or its equivalent, collected from ships transiting the Canal, subject to the payment of

tolls. These fees, as well as others it must pay, shall be set by the Authority and may not be less than those the Republic of Panama must receive for the same items as of December 31, 1999.

Article 75. Tolls shall be set at rates estimated to cover the costs of operation and modernization of the Canal, and will include at least:

1. The costs of operating the Canal, including depreciation costs, support for water resources protection, working capital, and the required reserves.
2. Payments to the National Treasury, as stipulated in the National Constitution and this Law, estimated according to the bases established in the regulation for this purpose.
3. Capital for plant replacement, expansion, improvements, and modernization of the Canal.
4. Interest on the assessed value of the Canal.
5. Losses carried over from previous years.

The tolls and rates established by the Authority shall take into consideration the conditions of safe, uninterrupted, efficient, competitive, and profitable Canal service.

Article 76. Neither the Government nor the Authority may authorize exemption from the payment of tolls, fees, or tariffs for Canal services. Notwithstanding, vessels exempted by virtue of international treaties in effect, ratified by the Republic of Panama, shall not pay tolls for transiting the Canal.

Article 77. All Canal users subject to tolls, fees, and tariffs shall make the payment in cash, in the legal currency of the Republic of Panama or the currency established by the Authority before the service requested is rendered, in an amount equivalent to the cost of the service.

The above-mentioned payment may be substituted by a surety posted by a bank that meets the requirements of the Authority for such purpose.

Article 78. The Authority may require, as a previous condition for transit, that vessels clearly establish the financial responsibility and guarantees for payment of a reasonable and adequate amount, consistent with the rules of international practice, to cover any damages that may result from their transit through the Canal.

In the case of a government-owned or government-operated vessel, or for which the government of a country has accepted responsibility, it shall suffice to guarantee such financial responsibility by means of a certification by the respective country stating that it shall comply with its obligations, in accordance with International Law, to pay any damages arising from actions or omissions of such ships during their passage through the Canal.

The exception set forth in the previous paragraph will not be applicable when the vessel, property of a State or operated by the same, is engaged in maritime trade.

Article 79. 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.

Article 80. The fees and rates established for the rendering of other services will take into consideration at least the corresponding cost of such services, as determined by the Regulations.

Article 124. The Authority shall publish an official bulletin to announce the measures it has adopted. It shall include:

1. The Regulations.
2. The changes suggested for the tolls rates or the admeasurement system referenced in Article 9 of this Law.

....

Regulation on the Procedure to revise the Panama Canal Tolls Rate and Admeasurement Rules (Agreement No. 3 of November 12, 1998, modified by Agreement No. 127 of January 19, 2007)

AGREEMENT No. 3
(of November 12, 1998)

“Whereby the Regulation on the Procedure to Revise the Panama Canal Tolls Rate and Admeasurement Rules is approved”

THE BOARD OF DIRECTORS OF THE PANAMA CANAL AUTHORITY

WHEREAS:

In accordance with article 18.3 of the Canal Authority Organic Law, one of the functions of the Board of Directors is to establish tolls for the use of the Canal, with the approval of the Cabinet Council;

Article 79 of the aforementioned law prescribes that any revision of the tolls rate or of the admeasurement rules must be subject to a previous consultation and public hearing process, to afford the interested parties an opportunity to participate and to express their opinions and arguments on the subject;

We have received from the Administrator of the Authority the proposed regulation of the procedure to revise the Panama Canal admeasurement rules and tolls rate.

RESOLVES:

ARTICLE: To approve the following regulation on the procedure to revise the Panama Canal tolls rate and admeasurement rules:

“REGULATION ON THE PROCEDURE TO REVISE THE PANAMA CANAL TOLLS RATE AND ADMEASUREMENT RULES”

Article 1. Modifications to the Panama Canal admeasurement rules and the tolls rate shall be subject to a previous consultation and public hearing process, pursuant to this regulation.

Article 2. The proposal to revise [the tolls rate and the admeasurement rules] shall be opened to public consultation, and all interested parties may participate. Any proposal must be explained, with the inclusion of all the factors that would have been object of the revision by the Authority, for the effects of its issuance.

Article 3. The Authority shall make an official announcement of the proposal by means of its publication in the Panama Canal Register, with at least thirty (30) days in anticipation of the date of the public hearing.

Article 4. This Announcement shall contain:

1. The essence of the proposed change;
2. The date, place and procedures for receiving information and opinions, and participation in the hearing;
3. The date in which the interested parties must submit their notice of attendance to the public hearing.

Article 5. Following publication of the announcement, the Authority shall make available to the public the explained proposal referred to in Article 2 of this regulation.

Article 6. The Board of Directors shall designate a minimum of three of its members to form part of the Committee that shall conduct the process of consultation and hearings, and shall appoint one of its members to chair this Committee.

Article 7. The Committee shall apply this regulation, and its functions shall include the following:

1. Conduct the process of consultation and hearings;
2. Request or receive opinions, presentations or additional information;
3. Decide on procedural or similar matters;
4. Dispense with any irrelevant, immaterial, or excessively repetitive material expounded by the parties;
5. Dispense with any participant whose behavior interferes with the process of the hearing.

The Committee should submit to the Board of Directors the complete file of its activities, with the pertinent recommendation.

Article 8. The interested parties shall have the opportunity to participate in the process of the admeasurement rules and tolls rate revision by submitting information, opinions, or statements in writing to the Chairman of the Committee, within the time limits established in the announcement.

The opinions, information and oral expositions that this regulation refers to may be in Spanish or English.

Article 9. The interested parties that have participated in the process of consultation shall also have the opportunity to participate in the public hearing. The hearing shall be held on the date and place prescribed by the announcement, and the parties in attendance may present additional information in writing on any material they have already incorporated, as well as make any statements or oral presentations concerning the admeasurement rules or the tolls rate, as appropriate.

Article 10. The hearing may be attended by the interested parties in person or by their representatives. They must give notice of their attendance in writing to the Chairman of the Committee within the time limits prescribed in the announcement of the hearing, and they must include the following information:

1. The names and addresses of the parties, and the condition under which they attend.
2. The place where they wish to make their presentation, if the hearings are scheduled to be held in more than one place.

Article 11. After considering the Committee's conclusions and recommendations, the Authority shall analyze the proposed admeasurement rules or tolls rate, as appropriate. However, in the case of tolls, if the rates proposed during the analysis are higher than the original proposal, the process shall be repeated. This requirement shall apply to any subsequent revision in which higher rates than those contemplated in the previous proposal are proposed.

Article 11a¹ Notwithstanding what is stated under Article 11, in cases where proposals for the modification of tolls apply over several phases or several years, and the Authority, after having considered participants' input during a tolls public hearing, considers appropriate to modify the original proposal, it shall proceed to do so and grant an extended consultation period no less than 15 calendar days starting from the publication date of the modified proposal in the Canal Record, to offer interested parties the opportunity to submit written opinions, facts, information or arguments pertaining such proposal.

¹ Article introduced by Agreement No. 127 of January 19, 2007.

Article 12. Any interested party may have access to the transcript of the presentations made in the hearing, provided they submit previous request thereto, and pay the costs established by the Authority.

Article 13. Changes to the tolls rate and admeasurement rules shall become effective on the date determined by the Board of Directors.”

Given in Panama, on November twelve, nineteen hundred and ninety-eight.

TO BE PUBLISHED AND ENFORCED.

Jorge E. Ritter

Minister for Canal Affairs

Tomás Paredes

Secretary Ad Hoc

AGREEMENT No. 4
(of January 7, 1999)

“Whereby the Regulation to set tolls, rates, and fees for the transit of vessels through the Canal, and the rendering of related services and complementary activities is approved”

THE BOARD OF DIRECTORS OF THE PANAMA CANAL AUTHORITY

WHEREAS:

In accordance with article 18.5 k. of the Panama Canal Authority Organic Law, the Board of Directors is responsible for regulating the establishment of tolls, rates, and fees for the transit of vessels through the Canal, and related services.

It is also the responsibility of the Authority, in accordance with articles 4 and 18.9 of the above-mentioned Organic Law, to regulate matters related to complementary activities and services related to the operation of the Canal.

The draft regulation on the foregoing subjects have been submitted by the Administrator for the consideration of the Board of Directors, in exercise of the authority granted him by article 25.6 of the above mentioned Organic Law.

AGREES:

ARTICLE: The following regulation on tolls, rates, and fees for the transit of vessels through the Canal, and the rendering of related services and complementary activities is adopted:

**“REGULATION TO SET TOLLS, RATES, AND FEES
FOR THE TRANSIT OF VESSELS THROUGH
THE CANAL, AND THE RENDERING OF RELATED SERVICES AND
COMPLEMENTARY ACTIVITIES**

CHAPTER I
General Provisions

Article 1. The transit of vessels through the Canal, the rendering of related services, and complementary activities, shall be subject to tolls, rates, and fees.

Article 2. The tolls, rates, and fees established by the Authority shall take into consideration the conditions of safe, continuous, efficient, competitive, and profitable Canal service.

Article 3. The Board of Directors shall establish the tolls, rates, and fees, and the conditions for the use of the Canal and related services.

Article 4. All charges, tolls, rates, and fees assessed by the Authority shall be published in the Canal Register, and recorded in the Authority's Official Tariff.

CHAPTER II

Tolls

Article 5. Tolls shall be set at rates estimated to cover the costs of operation and modernization of the Canal, and will include at least:

1. The costs of operating and maintaining the Canal, including depreciation costs, support for water resources protection, working capital, and the required reserves.
2. Payments to the National Treasury, as stipulated in the National Constitution and the Organic Law of the Panama Canal Authority.
3. Capital for plant replacement, expansion, improvements, and modernization of the Canal.
4. Interest on the assessed value of the Canal, based on the interest rate approved by the Board of Directors.
5. Losses carried over from previous years.

Article 6. Tolls shall be the product of the rate established by the Authority, multiplied by the PC/UMS Net Tonnage (PANAMA CANAL/UNIVERSAL MEASUREMENT SYSTEM) established by the Regulations for the Admeasurement of Vessels to Assess Tolls for Use of the Panama Canal.

CHAPTER III

Related Services and Complementary Activities

Article 7. Related services are those provided by tugboats and linehandlers, in direct support of the transit of vessels through the Canal.

The charge for these services shall be additional to the toll rates.

Article 8. The Authority shall carry out complementary activities to the Canal operation, such as dredging, electric power generation, water treatment, and telecommunications.

It is the responsibility of the Administrator to establish the rates to be charged for these activities, in consultation with the Board of Directors.

CHAPTER IV

Payment and Guarantees

Article 9. Payment of Canal tolls and related services shall be made:

1. Before transiting through any set of locks.
2. Before the Authority clears a vessel for departure from Canal waters, in relation to any charges for unexpected, necessary, or required related services provided during transit.

Article 10. Tolls and charges for related services shall be guaranteed by a bank previously approved by the Authority, to ensure that the Authority is paid in a timely manner.

Other forms of payment shall be permitted in the cases authorized by the Authority, provided any additional cost for the use of such forms of payment are at the expense of the user.

Article 11. As a precondition for transit and for the rendering of any related services, the Authority may require the establishment of financial responsibility and reasonable and adequate guarantees for payment, considered sufficient by the Authority, to cover any damages that may result from their transit through the Canal.

In the case of a government-owned or government-operated vessel, it shall suffice that the respective government certify that it shall comply with its obligations to pay any damages arising from actions or omissions of such a vessel during her passage through the Canal. This exception shall not apply when a government vessel is engaged in maritime trade.

Article 12. Payments for complementary activities shall be made by means of cash deposits, payments guaranteed by a bank, or any other means of payment accepted by the Authority.

CHAPTER V

Exemptions and Prohibitions

Article 13. Vessels exempted by virtue of international treaties in effect, ratified by the Republic of Panama, shall not pay tolls for transiting the Canal.

Article 14. Neither the Government nor the Authority may authorize exemption from the payment of tolls, fees, or rates for transit-related services.

Article 15. This Regulation shall become effective at twelve noon, December thirty-first, nineteen ninety-nine.”

Given in the city of Panama, on January seven, nineteen ninety-nine.

TO BE PUBLISHED AND ENFORCED

Jorge E. Ritter

Tomás Paredes

Minister for Canal Affairs

Ad-Hoc Secretary

AGREEMENT No. 58
(of August 16, 2002)

“Whereby the Regulation for the Establishment of Tolls, Rates, and Fees for the Transit
of Vessels through the Canal, Related Services, and Complementary Activities is
Modified”

THE BOARD OF DIRECTORS
OF THE PANAMA CANAL AUTHORITY

WHEREAS:

In accordance with Article 4 of the Panama Canal Authority Organic Law, the Authority has the exclusive charge of the operation, administration, management, preservation, maintenance, improvement, and modernization of the Canal, as well as its activities and related services, pursuant to legal and constitutional regulations in force, so that the Canal may operate in a safe, uninterrupted, efficient, and profitable manner.

Article 18.5.k. of the aforementioned law assigns authority to the Board of Directors to set the tolls, rates, and fees charged by the Authority for the transit of vessels through the Canal, and the rendering of related services.

Pursuant to Article 18.9. of the aforementioned law, the Authority shall also adopt policies for engaging in activities or services that complement the operation of the Canal.

The Board of Directors recently approved a proposal to increase tolls, revise the tolls system, and establish a new fee for the use of locomotives as a related service to the transit of vessels through the Canal.

To comply with the abovementioned proposal, it is necessary to modify the appropriate regulation, to include the use of locomotives as a related service to the transit of vessels through the Canal.

AGREES:

ARTICLE 1: Article 7 of the Regulation to Establish Tolls, Rates, and Fees for the Transit of Vessels through the Canal, Related Services, and Complementary Activities shall be modified to read as follows:

Article 7. Related services are those provided by tugboats, line handlers, and locomotives in direct support of the transit of vessels through the Canal.

The cost of these services shall be considered an additional charge to the tolls payment.

ARTICLE 2: This Agreement shall become effective as of the date of its approval.

Given in Panama City, on the sixteenth day of the month of August of the year two thousand and two.

TO BE PUBLISHED AND ENFORCED.

Ricardo Martinelli B.

Diógenes de la Rosa

Minister for Canal Affairs

Secretary

**AGREEMENT No. 94
(of March 30, 2005)**

“Whereby the Regulation to Set Tolls, Rates, and Fees
for the Transit of Vessels through the Canal, and the Rendering
of Related Services and Complementary Activities is Amended”

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

WHEREAS:

In accordance with Article 4 of the Organic Law of the Panama Canal Authority, this agency has exclusive charge of the operation, administration, management, preservation, maintenance, improvement, and modernization of the Canal, as well as its activities and related services, pursuant to legal and constitutional regulations in force, so that the Canal may operate in a safe, uninterrupted, efficient, and profitable manner.

Article 18, Item 5, paragraph k, of the aforementioned law assigns to the Board of Directors the authority to regulate the setting of tolls, rates, and fees charged by the Authority for the transit of vessels through the Canal, and the rendering of related services.

In the exercise of said authority, the Board of Directors approved the Regulation to Set Tolls, Rates, and Fees for the Transit of Vessels through the Canal, and the Rendering of Related Services and Complementary Activities in Agreement No. 4 of January 7, 1999.

Upon compliance with legal and regulatory procedures, on January 28, 2005, the Board of Directors approved Agreement No. 91 whereby the toll rates and rules of admeasurement were modified.

The provisions established in said agreement imply the undertaking of an adjustment or modification to the Regulation to Set Tolls, Rates, and Fees for the Transit of Vessels through the Canal, and the Rendering of Related Services and Complementary Activities.

The draft agreement setting forth the modifications to the aforementioned regulation has been submitted by the Administrator of the Authority for the consideration of the Board of Directors.

AGREES:

ARTICLE ONE: Article 6 of the Regulation to Set Tolls, Rates, and Fees for the Transit of Vessels through the Canal, and the Rendering of Related Services and Complementary Activities is hereby modified, and reads as follows:

Article 6: For vessels, in general, tolls shall be the product of the PC/UMS Net

Tonnage (PANAMA CANAL/UNIVERSAL MEASUREMENT SYSTEM OF VESSELS), pursuant to the Regulations for the Admeasurement of Vessels to Assess Tolls for the Use of the Panama Canal, multiplied by the rate established by the Authority.

For full container vessels, tolls shall be the product of the total TEU allowance pursuant to the Regulations for the Admeasurement of Vessels to Assess Tolls for the Use of the Panama Canal, multiplied by the TEU rate established by the Authority.

Tolls for those vessels not classified as a full container vessels, but that have the capacity to carry containers above the upper deck, shall be the product of the PC/UMS Net Tonnage multiplied by the rate established by the Authority plus the NTT (number of TEU carried above the upper deck during a transit), multiplied by the rate per TEU established by the Authority.

Tolls for warships, dredges, and floating dry docks shall be the product of the displacement tonnage multiplied by the rate established by the Authority.

For smaller vessels of up to 583 PC/UMS net tonnage, when carrying passengers or cargo, up to 735 PC/UMS net tonnage when transiting in ballast, or up to 1,048 displacement tons, the minimum toll based on its total length shall be established by the Authority on the basis of a fixed rate.

ARTICLE TWO: This modification shall become effective on May 1, 2005.

Given in Panama City on the thirtieth day of the month of March of 2005.

TO BE PUBLISHED AND ENFORCED.

Ricaurte Vásquez M.

Diógenes de la Rosa

Chairman of the Board of Directors

Secretary

AGREEMENT No. 141

(of June 21, 2007)

“Whereby the Regulation to Set Tolls, Rates, and Fees for the Transit of Vessels through the Canal, and the Rendering of Related Services and Complementary Activities is modified”

THE BOARD OF DIRECTORS OF THE PANAMA CANAL AUTHORITY WHEREAS:

In accordance with Article 4 of the Panama Canal Authority Organic Law, the Authority has the exclusive charge of the operation, administration, management, preservation, maintenance, improvement, and modernization of the Canal, as well as its activities and related services, pursuant to legal and constitutional regulations in force, so that the Canal may operate in a safe, uninterrupted, efficient, and profitable manner.

Article 18.5.k. of the aforementioned law assigns the Board of Directors the authority to set the tolls, rates, and fees charged by the Authority for the transit of vessels through the Canal, and the rendering of related services.

In the exercise of said authority, the Board of Directors approved the Regulation to Set Tolls, Rates, and Fees for the Transit of Vessels through the Canal, and the Rendering of Related Services and Complementary Activities in Agreement No. 4 of January 7, 1999.

After complying with the legal and regulatory requirements, the Board of Directors approved Agreement No. 132 on April 24, 2007 whereby the rules of admeasurement and tolls of the Panama Canal Authority are modified.

The approval by the Board of Directors of Agreement No. 132 implies a modification to article 6 of the Regulation to Set Tolls, Rates, and Fees for the Transit of Vessels through the Canal, and the Rendering of Related Services and Complementary Activities in order to adjust article 6 to the new tariff regime for passenger vessels and for vessels whose tolls are based upon their displacement tonnage.

The draft agreement setting forth the modifications to the aforementioned regulation has been submitted by the Administrator of the Authority for the consideration of the Board of Directors.

AGREES:

ARTICLE ONE: Article 6 of the Regulation to Set Tolls, Rates, and Fees for the Transit of Vessels through the Canal, and the Rendering of Related Services and Complementary Activities is hereby modified and reads as follows:

Article 6: For vessels, in general, tolls shall be the product of the PC/UMS Net Tonnage (PANAMA CANAL/UNIVERSAL MEASUREMENT SYSTEM OF VESSELS), pursuant

to the Regulations for the Admeasurement of Vessels to Assess Tolls for the Use of the Panama Canal, multiplied by the rate established by the Authority.

For full container vessels, tolls shall be the product of the total TEU allowance pursuant to the Regulations for the Admeasurement of Vessels to Assess Tolls for the Use of the Panama Canal, multiplied by the TEU rate established by the Authority.

Tolls for those vessels not classified as a full container vessels, but that have the capacity to carry containers above the upper deck, shall be the product of the PC/UMS Net Tonnage multiplied by the rate established by the Authority plus the NTT (number of TEU carried above the upper deck during a transit), multiplied by the rate per TEU established by the Authority.

Tolls for passenger vessels shall be the product of the maximum passenger capacity or PC/UMS tonnage multiplied by the rate established by the Authority.

Tolls for warships, dredges, and floating dry docks shall be the product of the fully loaded displacement tonnage multiplied by the rate established by the Authority.

For smaller vessels of up to 583 PC/UMS net tonnage, when carrying passengers or cargo, up to 735 PC/UMS net tonnage when transiting in ballast, or up to 1,048 fully loaded displacement tons, the minimum toll based on its length overall shall be established by the Authority on the basis of a fixed rate.

ARTICLE TWO: In accordance with Agreement No. 132 of April 24, 2007 approved by the Board of Directors, the modification related to the tolls charged based on the fully loaded displacement tonnage will be effective on July 1, 2007 and the modification related to the new method of admeasurement for passenger vessels shall become effective on October 1, 2007.

Given in the City of Panama, on the twenty-first day of the month of June of 2007.

TO BE PUBLISHED AND ENFORCED.

Dani Kuzniecky

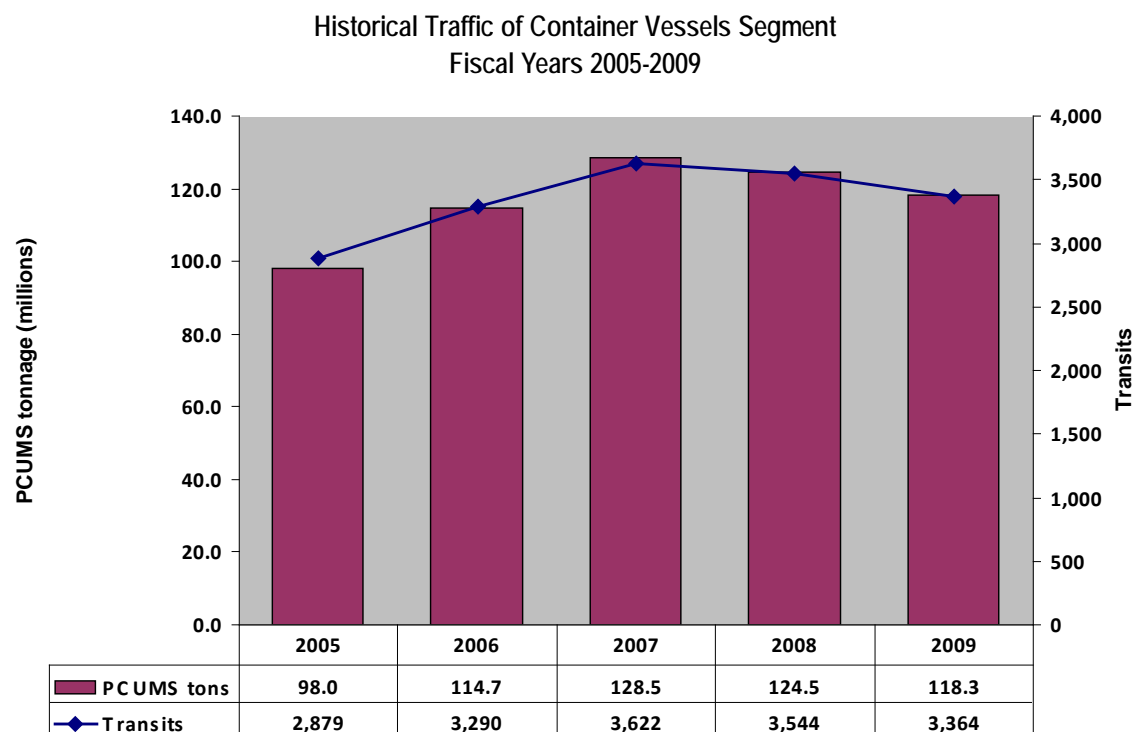
Diógenes de la Rosa

Chairman of the Board of Directors

Secretary

FULL CONTAINER VESSELS

The full container vessel segment represents one of the most important segments to the Panama Canal. For fiscal year 2009 this segment accounted for 55.1% of total tolls revenue, 39.6% of total PC/UMS and 23.5% of total transits.



Full container vessel transits through the Canal increased year-after-year prior to the current global economic downturn. During the growing years, it was a very favorable trend to the Canal, given by the growing flow of trade between Northeast Asia and the East Coast of the United States. However, in fiscal years 2008 and 2009, due to the global economic downturn, the flow of containerized cargo through the Canal diminished as shown in the chart above. The segment reported a reduction in total billed TEU for 2008 of 2.4 percent and in 2009 of 3.5 percent as compared to the previous year.

During fiscal 2009 transits of full container vessels decreased 5.1 percent as compared to fiscal 2008 due to a reduction in cargo volumes, especially in the Asia - the East Coast of the United States route, a product of low consumption rates, which impacted negatively in the number of services, including those in the Panama Canal route.

For fiscal year 2010 it is expected that the impact on traffic flow through the Canal will be stronger than previous years, and the Canal estimates a double digit decrease in traffic of full container vessels. The projected decrease for fiscal year 2010 reflects the reduction of traffic that occurred in the first quarter of this fiscal year and the expected decrease for the low-season, which traditionally occurs in the second quarter of fiscal year. It is estimated that the traffic

recovery will begin in the second half of calendar year 2010, which reflects only a quarter of our fiscal year.

Our medium term projections are based on a recovery in the United States' economy, which is expected to reflect an increase in the consumer confidence and thus on consumption rates and on commercial trade. This will require higher levels of cargo and introduction of new services, which will impact our traffic statistics positively. The growth rates projected for the billed TEU are as follows: 8.3 percent for fiscal year 2011, 8.2 percent for 2012 and 5.0 percent for 2013, which is expected to reach the levels achieved in fiscal 2007, the highest level in the history of the Canal.

For fiscal 2009, 84 percent of the transits of full-container vessels used the reservation system, resulting in an average time in Canal waters of 15.53 hours. Similarly, in fiscal 2009, transits of 900 feet or more in length accounted for 48 percent of transits, and transits of 100 feet or more in beam accounted for 73 percent of transits.

In terms of services offered by the shipping lines, there are a total of 12 direct and 2 indirect services between Northeast Asia and the East Coast of the United States, which represent 61.3 percent of total capacity allocated through the Panama Canal, adding the pendulum services capacity and services around the world (RTW). Other major trade flows for the Panama Canal according to the number of services allocated are in the trades between the West Coast of South America to Europe and the East Coast of the United States.

Full Container Ship Services Through the Panama Canal
January, 2010

Trade Route	Number of Services	Yearly Deployed Capacity /1	Number of Vessels	Average Vessel Size
Asia - United States East Coast	13	3,057,037	112	4,530
Pendulum	2	465,089	30	4,757
West Coast South America - Europe	8	940,083	53	2,562
Asia - Caribbean	1	192,401	10	4,217
West Coast of South America - Caribbean	1	104,860	4	2,011
West Coast of South America - United States East Coast	2	328,866	13	3,200
Oceania - United States East Coast - Europe	2	207,034	16	2,625
United State West Coast - Europe	1	71,023	6	2,335
Total	30	5,366,393	244	3,827

Source: prepared by ACP using ComPairData, January 2010.

/1 One-way Capacity (TEU)

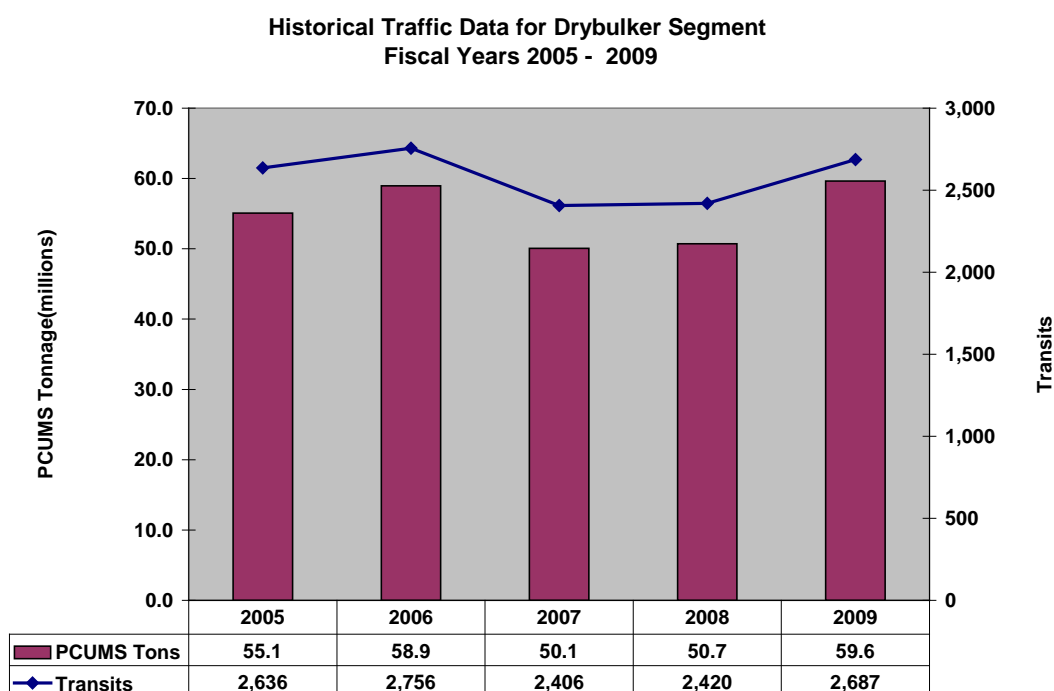
The route competitiveness for this segment is measured by several factors. Foremost for the carrier and the importer, is the reliability of the route; the second factor is transit time, and the third factor is price. For the carrier, the price represents the cost of performing the transport operation, and to the importer of the cargo, the additional value you must pay to have the goods at the destination. Depending on the goods transported, the importer decides the mode and route to use.

The proposed increase in tolls for full container vessels is based on a thorough analysis of competitiveness that considers routes, transportation costs, cost impact of the Panama Canal over

the value of the cargo, freight, and competitive alternative routes to the Panama Canal. The objective of this competitive analysis is to identify the economic value portion of the route, in order for the Canal to capture a greater percentage of such value. Our analysis indicates that the impact of the proposed toll represents, on average, less than one percent of the CIF (cost, freight, insurance, term of sale signifying that the seller includes insurance and all other charges up to the named port of destination) value of goods transported in containers.

DRYBULKERS

Drybulk Carriers accounted for 18 percent of total PC/UMS tonnage through the Panama Canal in the last five years. Drybulk carriers carried nearly 41 percent of total Canal cargo and was the second major contributing segment in terms of toll revenues.



Source: ACP Corporate Data Warehouse

In fiscal year 2009, grain cargo tonnage in drybulk carriers totaled 34.5 million long tons, a 22.3 percent increase compared with 28.2 million long tons registered in fiscal year 2008. Grain shipments have been the main driver of traffic in recent years, mainly in the route from the United States Gulf port region to Northeast Asia.

Corn and soybeans, among other grains, are used mainly in processing animal feed for the poultry, hog, and livestock industries in Japan, China, Taiwan and South Korea. China, in particular, has increased its share in soybean imports, which is also utilized in the production of soy oil and flour for human consumption. China's population is growing at 0.554 percent annually, which adds to an annual population gain of seven million, increasing food demand, and hence, grain imports through the Panama Canal.

Shipments of salt, used to melt roads during the winter in the Northern hemisphere, also increased. Salt cargo doubled, especially from the East Coast of South America to the East Coast of the United States. On the other hand, flows of coal, cement, clinker, metallurgical metals and manufactures of iron and steel, declined mainly as a result of the impact of the economic crisis in the construction and steel industries in the United States.

In the last five years, the growth rate of drybulk PC/UMS tonnage has averaged 2.0 percent per year. Sustained demand for grains has driven the moderate growth rate, notwithstanding the negative effects of the world economic crisis in other dry bulk cargoes. The growth rate is projected to remain relative stable in the range of 1 – 2 percent per year for the next twenty years.

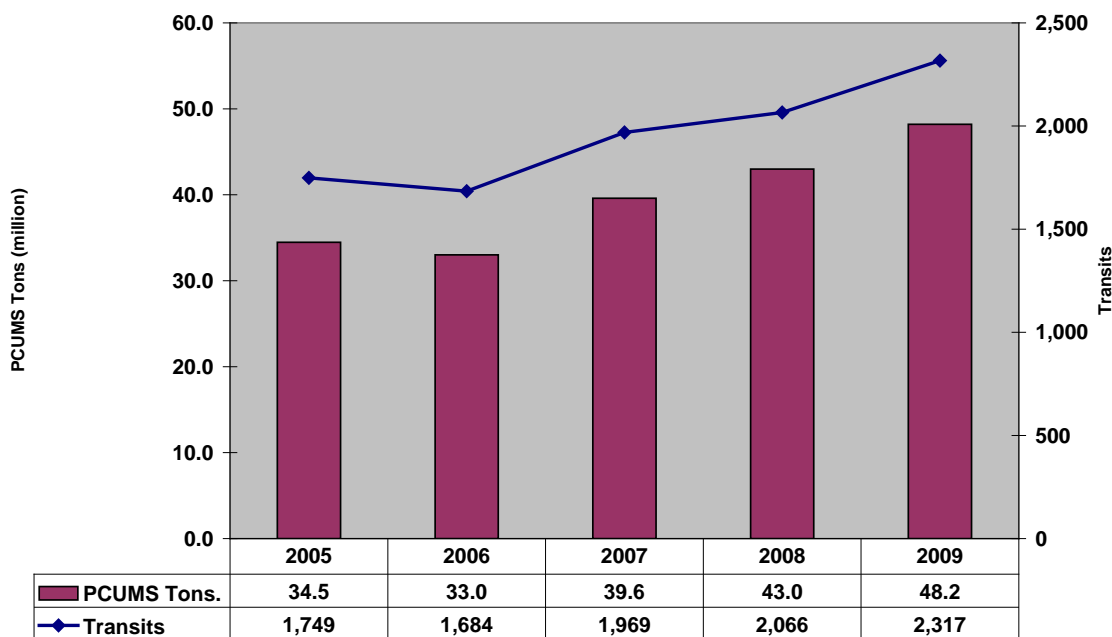
The toll rate proposal does not impact significantly the competitiveness of commodity trades shipped in drybulk through the Panama Canal. Canal transit costs, including the new toll raise proposed, accounts for less than 5 percent of the price of the main commodities moved by drybulk. With the proposed toll raise, traffic by drybulk remains competitive in the principal trade routes compared to alternative water routes through the Suez Canal, Cape of Good Hope, Strait of Magellan, or alternative land/river routes through the United States' Pacific Northwest.

The savings derived from the shorter route of the Panama Canal remain relevant in the main routes for the transportation of grains from the United States Gulf to Asia, for manufactures of iron and steel from Asia to the United States East Coast; for coal, from the United States East coast to Asia; and for minerals and metals from the East coast of South America to the United States and Europe, among others.

LIQUID BULK

The Liquid Bulk segment includes tanker vessels, gas and chemical carriers. Between fiscal years 2005 and 2009, these ships carried annually, on average, close to 20 percent of the total Canal cargo. Along these lines, this segment generated 15.1 percent on average per year, of the total transits and 13.2 percent of total PC/UMS tonnage of the Canal during this period.

Historical Traffic for Liquid Bulk Segment Fiscal Years 2005 - 2009



Source: ACP Corporate Data Warehouse

Canal liquid bulk traffic showed an upward trend during the period between fiscal years 2005 and 2009, with the exception of fiscal year 2006 when a decrease in transits and PC/UMS tons took place due to the severe impact of hurricanes Katrina and Rita. These hurricanes affected ports in the Gulf of Mexico, which were severely damaged and unable to receive crude oil, petroleum products, and petrochemicals during the first four months of fiscal year 2006.

Starting in fiscal year 2007, an important growth phase in all traffic indicators took place, particularly in PC/UMS tonnage, which increased 20 percent compared to the previous fiscal year. Likewise, PC/UMS tonnage increased 8.6 and 12.1 percent in fiscal years 2008 and 2009, respectively.

Tankers registered in fiscal year 2008 the highest tonnage level since 1982, reaching 43.0 million PC/UMS tons, a 8.6 percent rise relative to fiscal year 2007, as a result of regional flows of crude oil and petroleum products, which were driven by the trade agreement between Ecuador and Venezuela; this agreement allowed the traffic of Ecuadorian crude oil through the Canal to the Atlantic, and petroleum products from Venezuelan refineries in the Caribbean to the Pacific.

In addition, the disruption of the supply of natural gas from Argentina to Chile favored the flows of crude oil, diesel, and gasoline from the Gulf of Mexico to Chile. Likewise, the transportation of chemicals in long hauls exhibited a positive performance, especially in the route between the United States East Coast and Asia.

On the other hand and in spite of the economic crisis that affected all maritime markets, the Liquid Bulk segment experienced an exceptional performance in fiscal year 2009. The Panama Canal tanker traffic posted a significant growth, registering 48.2 million PC/UMS tons, its best performance in the last 12 years, an increase of 12.1 percent over fiscal year 2008.

The increased tanker traffic, especially for vessels of 100 feet and more in beam, was the result of an enhanced trade of various products, such as crude oil, mainly in the route between Venezuela and Nicaragua, due to the construction of the new petroleum and petroleum products storage complex inaugurated in March of 2009 in the Port of Corinto. Moreover, petroleum and petroleum products exports originating in Venezuela bound for the Western Coast of Central and South America have benefitted from the agreements within the framework of ALBA¹.

Another factor that favored Canal traffic was the temporary closure of the trans-isthmian pipeline, operated by Petroterminal of Panama (PTP) to reverse the pipeline flows in the southbound direction. As a result, crude oil exports from Ecuador received a boost, hence also benefitting the all water route. Besides, the exports of petrochemical products from the East Coast of the United States bound to Asia through the Canal remained relatively high due to a weak dollar and the low production in China.

Nevertheless, the prospects for ensuing years are not so encouraging. The United States, main consumer of petroleum, is expected to show a recovery in its economic growth starting in 2010, but with high inventories of crude oil. The benefits accrued from the temporary closing of PTP culminated in the reopening of this pipeline in August of 2009, which is presumed to have caused the fall in the flows of petroleum through the Canal, primarily from Colombia and Venezuela to the Western coast of North, Central and South America.

Chile, a major driving force behind diesel shipments for the generation of electricity in previous years, has solved its energy problem with the construction of regasification plant for liquefied natural gas from Trinidad and Tobago utilizing the Cape Horn route.

In the short term, it is expected that the exceptional Canal tanker traffic during fiscal years 2007 and 2008, will return to the more normal levels experienced in periods prior to 2007.

The Liquid Bulk segment performance has been thoroughly analyzed, and coupled with the prospects for the next few fiscal years, it has been determined that the proposal to increase tolls does not negatively affect the competitiveness of the Canal in its main products.

The cost of transit through the Panama Canal with the new rate is less than 1.0 percent of the price of the main products transported in liquid bulk vessels. The tolls increase proposed still allows the traffic of liquid bulk segment vessels through the Canal to maintain its competitiveness in the main routes, compared to the alternate routes of Cape Horn or the trans-isthmian pipeline.

¹ Alternativa Bolivariana para las Américas

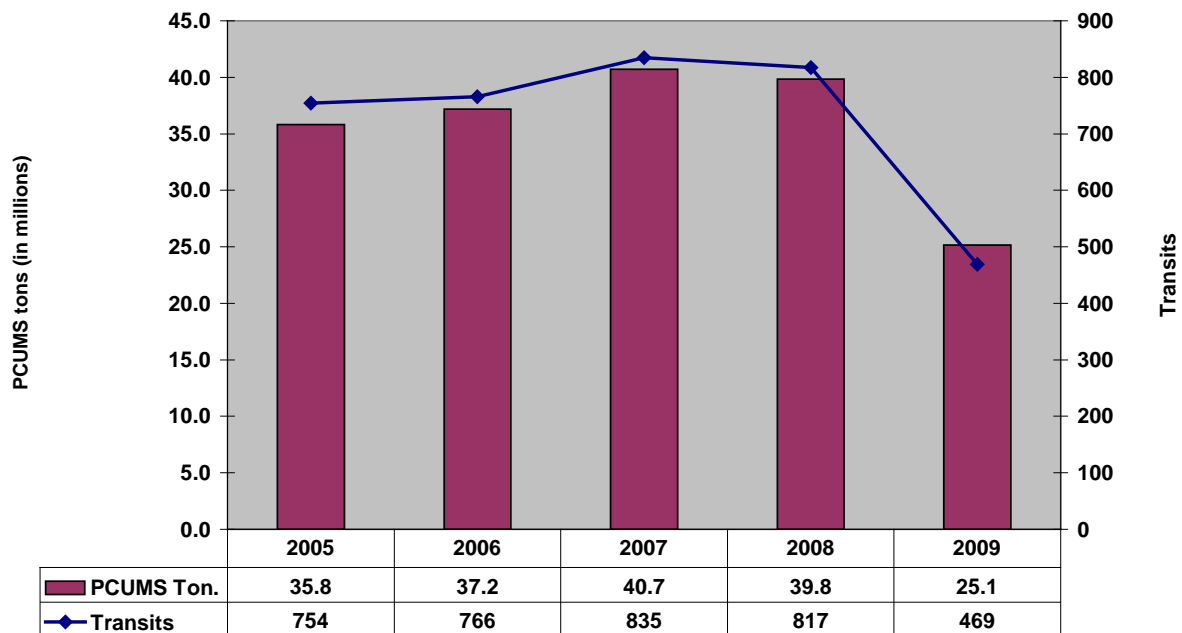
VEHICLE CARRIERS

Vehicle carriers transport mainly automobiles and other types of rolling cargo, such as automobiles, trucks, tractors and cargo for long-term projects (e.g. heavy equipment, turbines, among others). The main shipping lines hold agreements through contracts of affreightment (COA) with automobile factories. The Panama Canal continues to be a vital link in the transportation chain for this segment, shortening sailing days and contributing to the operators' expeditious handling of cargo loadings and offloadings at a port level.

During fiscal year 2009, the global economic crisis impacted the vehicle carrier segment. The traffic volumes registered in this year were well below the levels of prior years. On one hand, there were extenuating factors such as high unemployment and restricted credit terms. On the other hand, auto sales in the United States (the principal market for the Canal) collapsed to the extent that General Motors and Chrysler filed for bankruptcy while the rest of the large automobile companies were forced to curtail production through factory closures, staff layoffs and labor hour reductions. While buyers were facing problems obtaining finance, the shipping lines were reporting an adverse effect on their volumes. The three main trade routes -Asia to the United States East Coast, Asia to West Indies, and Europe to the United States-, recorded tonnage declines.

Panamax vessel transits accounted for 92.5% of total transits in fiscal year 2009, up from 89% the previous year; of greater relevance was the increase in the proportion of laden vessels transits, 82% in fiscal year 2009, up from 68% the prior year. These two conditions are a reflection of the measures taken by shipping operators to optimize vessel utilization during the current economic conditions. It is foreseen that this trend will continue in the future. At fiscal year end 2009, this segment represented an 8.4% share of total PC/UMS tonnage. The following graph shows the performance of the main traffic indicators for this segment for the last five fiscal years.

Historical Traffic for Vehicle Carriers Segment Fiscal Years 2005 - 2009



Source: ACP Corporate Data Warehouse

All indications point to a recovery in the automobile industry, as vehicle exports gradually increase. It is expected that a slight increase in volumes transported through the Panama Canal will be driven by a boost in automotive sales in the United States, resulting from a partial recovery in the United States consumer demand and a renewed confidence in the credit system. Nevertheless, the prospects for the current fiscal year are moderately optimistic, given that vehicle carrier operators expect a modest market turnaround for 2010.

The tolls proposal considered the current rate structure, regardless of vehicle carriers transiting laden or in ballast. The Canal competitive analysis of the segment is based on the advantages offered by this trade route compared to other alternatives such as de Suez Canal, Cape Horn and the Cape of Good Hope. These are the alternate options to the Panama Canal along the leading trade route from Asia to the East Coast of the United States. Other factors such as navigational days and vessel fuel consumption are also considered.

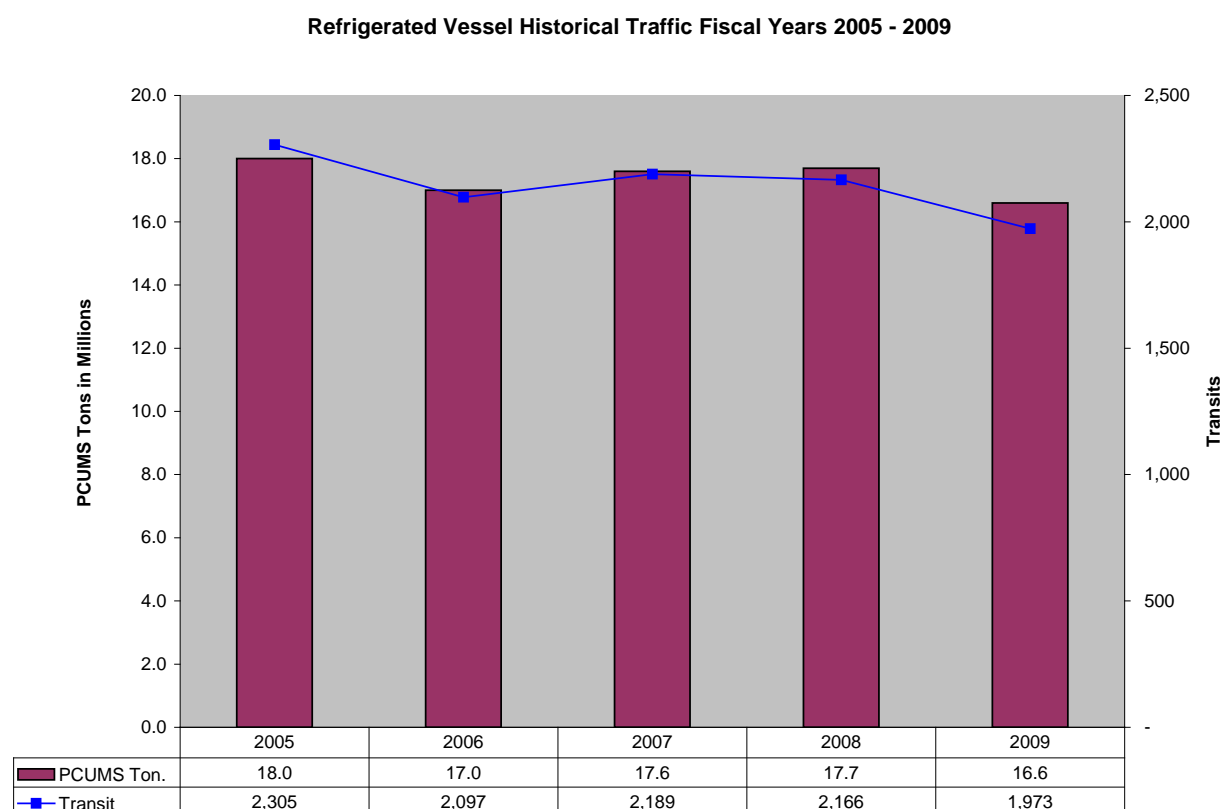
The main advantage of the Panama Canal route is that transit costs associated with this route do not excessively impact commodity prices at the final destination. Vehicles and roll-on roll-off cargoes exported from Asia and Europe are high value goods and as such, a 0.32% impact of the proposed tolls increase should not represent a high percentage relative to the total commodity cost.

As far as the transshipment activity at Panamanian ports, no effect is anticipated on the competitiveness of the trade, neither at the local nor regional levels. Therefore, it is not expected

that seaborne trade or the economies of the key manufacturing and exporting nations will be significantly impacted.

REFRIGERATED CARGO VESSELS

For fiscal year 2009, specialized vessels for refrigerated cargo accounted for 13.8 percent of total Canal transits, 5.5 percent of total PC/UMS tonnage and 4.8 percent of total tolls revenues.



Source: ACP Corporate Data Warehouse

The segment is characterized by a distinct seasonal pattern; in addition, it is heavily influenced by climate, market supply and demand and consumption patterns. The average age of the specialized fleet of reefer vessels is high, orders for new construction are scarce and the fleet size is small. About 94 percent of refrigerated vessels transiting the Canal are about 8,000 PC/UMS tons on average. In 2009, this market was affected by the aggressive incursion of container vessels in the tramp market, which has increased the capacity of refrigerated cargo containers and reduced the use of specialized reefer vessels.

In fiscal 2009, the volume of PC/UMS tons in the segment reached 16.6 million, 6.6 percent below the amount reported in the previous fiscal year; the number of transits decreased 8.9 percent. The use of refrigerated containers for the transport of refrigerated cargo on container vessels has grown at an accelerated pace, providing another transportation option, which

competes with specialized reefer ships. During fiscal 2009, refrigerated vessels transported a total of 146,672 TEU on deck, or an average of 74 TEU per transit.

Trade flows in the West Coast of South America to Europe route continue to be the most important for the segment. Bananas are the main product exported from Ecuador to the countries of Europe and Russia. However, Costa Rica, Colombia and Guatemala are competing aggressively with Ecuador over these markets.

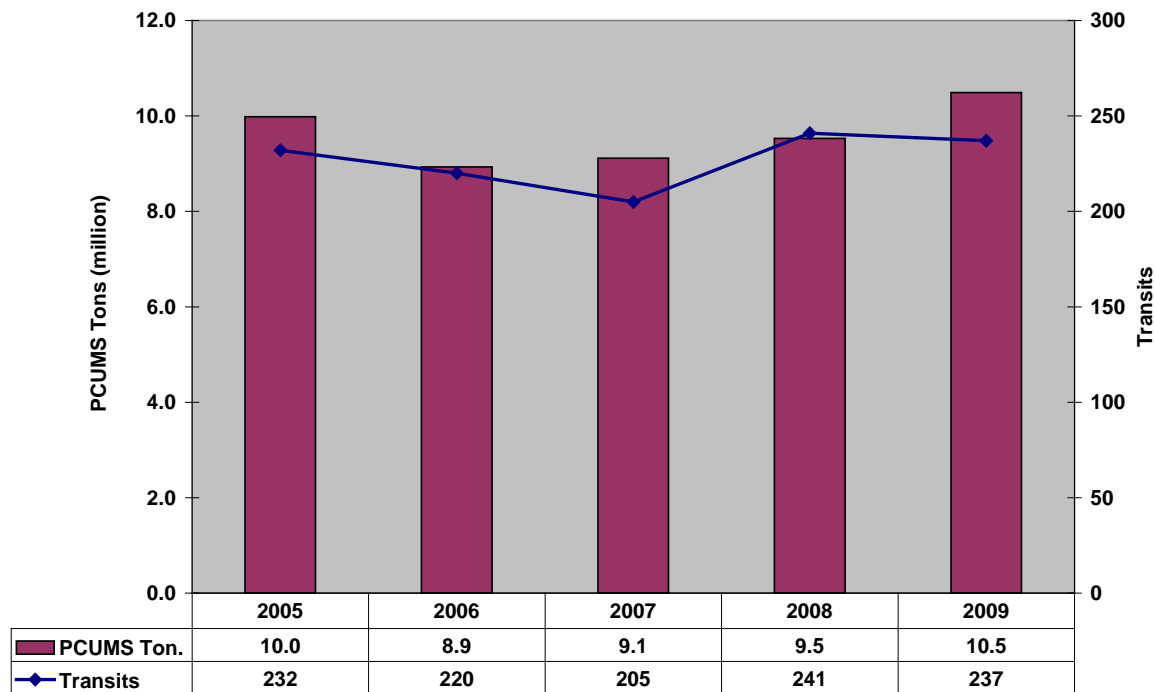
The proposed increase in tolls for refrigerated vessels does not affect the competitiveness of the Canal for the products carried in these ships. The Canal route will still be the most attractive option compared to alternative routes. The impact of the proposed rate per PC/UMS ton will be less than 0.3 percent per box of bananas.

PASSENGER VESSELS

The passenger ship or cruise segment provides a recreation and tourism-based transportation service. The main cruise lines operate on fixed itineraries established at least one year in advance. These vessels operate on scheduled calls at diverse ports and with pre-determined dates. The United States is the primary market for the cruising activity in Panama and the Canal. During the 2008-2009 period, the number of passengers that transited the Canal totaled 248,114, a 2.5% share of this market.

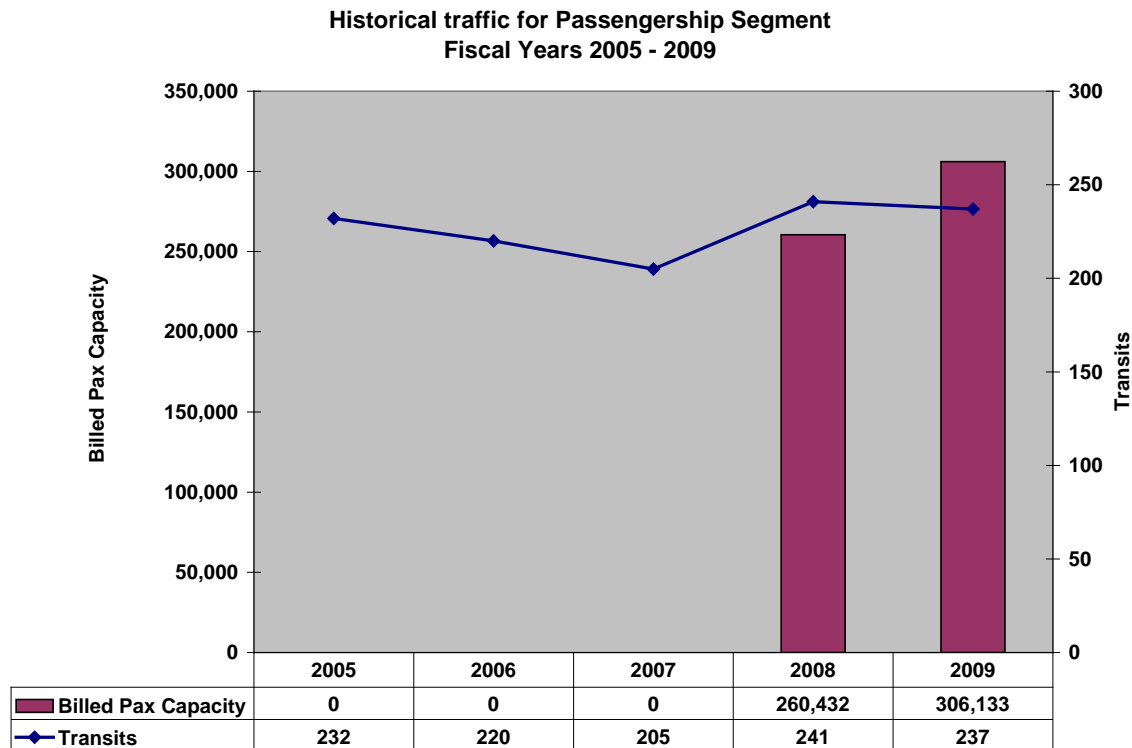
This segment values safe, reliable service, and expeditious Canal Waters Time. The transit reservation system is a key element for passenger vessels, and as such, 98.7% of Canal transits in fiscal year 2009 were made under this system. The following graph shows traffic behavior for the past five fiscal years.

**Historical Traffic for Passengerships Segment
Fiscal Years 2005 - 2009**



Source: ACP Corporate Data Warehouse

Beginning October 1, 2007, the Panama Canal implemented a new admeasurement method for passenger vessels, in which depending on the registered gross tons, tolls are assessed on a per berth (Built-in beds or narrow bunks used on ships and that for economy of space, are usually placed one above the other), or PC/UMS tonnage basis; the latter was the traditional admeasurement method for these vessels. The following graph exhibits traffic performance based on billed passenger capacity.



Source: ACP Corporate Data Warehouse

Despite the world economic recession and its adverse effect on tourism, the cruising activity via the Panama Canal maintained good pace during the 2008-2009 season, driven by vessels with sailing itineraries of 10 days and longer. These cruise vessels generally call at ports along both East and West coasts of the United States. Their main tourist destinations are located on the East and West coast of Mexico, the Caribbean islands, the East coast of Central America and the East and West coast of South America. It is worth noting the transit frequency of passengerships operated by Princess Cruises, Royal Caribbean Cruises, and by Holland America Line.

On the other hand, vessels with capacities ranging from 65 to 100 passengers, contributed to the good performance of the segment. On average, these vessels have one-week itineraries and call at ports located along the East and West coasts of Central America.

The world cruise industry is facing a difficult financial situation; however, the outlook is optimistic from the Canal's standpoint. Cruise operators are offering reasonable ticket prices, last minute offers and attractive family deals. Nonetheless, the Panama destination and trans-Canal experience maintain their appeal, with the maiden arrivals of cruise ships.

The transit cost analysis of 7.26% is not deemed as having a significant effect on the passenger ticket price. Hence, the proposed toll increase will not significantly impact the transit service the Panama Canal offers to the main cruise lines. Finally, the measure will not be harmful to the activity of vessels deployed to the Panama destination or to the traffic demand that this segment generates.