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VISION OF THE ACP

WORLD LEADER in services to the maritime industry and in sustainable development for the conservation of the Panama Canal watershed.

CORNERSTONE of the global transportation system and driving force for the progress, development and growth of Panama.

MODEL of excellence, integrity and transparency in our conduct; committed to the integral development of our human resource team.

Message from the Administrator

On January 25, 2007, the Panama Canal Authority's (ACP) Board of Directors gave authorization to proceed with a formal proposal to restructure the Canal's pricing system and certain regulations. This proposal is well thought out and well researched. We recognize the great value of the Panama Canal and its service to the shipping and maritime communities, and, indeed, to global trade. The proposed modifications to the pricing system will allow us to continue providing the industry with the service they want and deserve.

As the world becomes more interconnected – barriers dropping, tariffs reduced – the significance of the Panama Canal and its function in the global supply chain become more important. Given the cost increases in shipbuilding, fuel and vessel operations, the shorter route through the Panama Canal has significantly increased its value to its users.

The ACP is committed to providing a safe, reliable and efficient transit service to its customers; therefore, it is executing an ambitious investment program aimed at modernizing the waterway and increasing its operating capacity. This program includes the construction of a third set of locks that will allow us to meet the demand for Canal services while offering an optimum quality service.

The construction work will not affect the waterway's traffic. Once completed, the ACP will have doubled the Canal's capacity and we will be able to transit larger vessels. In this way, we will ensure that the Canal keeps up with the industry changes and maintains its position as a vital component of the international transportation and logistics chain.



Alberto Alemán Zubieta

Formal consultation on the proposal began on February 2 and will continue until March 12, 2007, at 4:15 p.m. EST. The ACP will consider inputs, suggestions and feedback from interested parties. The ACP welcomes data, opinions, written statements (in English or Spanish) before the above deadline in person, via courier or by mail. In addition, a public hearing will be conducted on March 14, 2007, in the "Ascanio Arosemena" auditorium, Balboa, Republic of Panama at 9:00 a.m. EST. For more information or to obtain an electronic copy of the proposal (in both English and Spanish), please visit: www.pancanal.com.

Proposal to modify the regulations for the admeasurement of vessels for the Panama Canal and the Panama Canal tolls



The Panama Canal Authority proposes to modify its rules of admeasurement and tolls system as follows:

1.1 In the case of vessels charged tolls based on their displacement, the Canal proposes: (a) the utilization of the maximum displacement draft instead of the arrival draft, and (b) the increase of the displacement tolls rate according to the enclosed table. The

utilization of a more reliable parameter such as maximum displacement draft makes the assessment of tolls more equitable and transparent.

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Form of participation of the interested parties

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

3.1 As of February 2, 2007 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 March 12, 2007, at 4:15 p.m., local time.

3.2 All who have participated in the consultation process described in paragraph 2.1 may participate in the public hearing, to be held on the date indicated in paragraph 2.2, 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 4.4, 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 March 12, 2007 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.

Request and forwarding of information

4.1 Persons interested in participating in the consultation process and public hearing may access an electronic copy of the proposal, both in Spanish and English, in the Canal Authority website (www.pancanal.com), or request a copy in person from the Department of Corporate Planning and Marketing, 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 4.4.

4.2 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, so that they are received no later than the date and time established in paragraph 3.1. No communications shall be accepted by electronic mail.

4.3 Those interested in participating in the public hearing must announce their interest in writing, in English or Spanish, in any of the ways established in the above paragraph, and within the period established in paragraph 3.2. The date and time of receipt of the notification shall be recorded in the receiving office, to determine the order in which the interested parties shall make their respective presentations on the day of the hearing. No communications shall be accepted by electronic mail.

It is hereby requested that if at all possible, parties participating in the public hearing send a printed copy of their presentation prior to the hearing.

4.4 Addresses to send the pertinent documentation:

Personal or via Courier in Panamá:

Autoridad del Canal de Panamá
Propuesta de modificación de los peajes
Edificio de la Administración – Oficina
320
Departamento de Planificación
Corporativa y Mercadeo
Unidad de Relaciones con los Clientes
Balboa, Ancón, República de Panamá

By mail in the United States of America:

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

By Facsimile to: (507) 272-7377
(507) 272-1416

Customers and ACP officials exchanged views on upcoming changes to tolls system

During the months of November and December, Panama Canal Administrator/CEO Alberto Alemán Zubieta, together with ACP Corporate Planning and Marketing Director Rodolfo Sabonge, met with key representatives of the shipping industry to informally discuss the upcoming changes to the tolls system, the impact of an expanded Canal and the change in the Canal's business model.

Meetings were held with the highest ranking representatives of the International Chamber of Shipping, the World Shipping Council, the Florida-Caribbean Cruise Association, representatives of the shipping sector in Asia and Chile, and members of the ACP Advisory Board.

The Canal officials stressed that the ACP is committed to providing value to its customers through a reliable, safe and efficient service, so that the clients receive the value they seek in using the Panama Canal route. By legal mandate, the Canal must operate as a profit entity and must contribute to the welfare of the people of Panama.

During the meetings, customers discussed with Canal officials the need to establish tolls that are reasonable and transparent and include price stability. The ACP has included this recommendation into the tolls adjustment proposal and extended it until 2009, unparalleled in the industry.

At the request of the customers, the ACP has evaluated innovative ways of pricing its services, specifically for the cruise segment. Upon extensive analysis, a decision was made to charge per berth so that the cruise lines can pass along the cost in a more transparent way to its travelers.

Other ideas discussed included the adjustment of rates for inflation. The informal consultations were carried out prior to the official publication of the proposal to modify Canal tolls and admeasurement rules. Through this effort, the ACP was able to ensure that the proposal reflected the views and suggestions of its customers.



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1.2 The Panama Canal Authority proposes a number of administrative changes to the Agreement No. 2 of the "Whereby the Regulation for the Admeasurement of Vessels to Assess Tolls for Use of the Panama Canal are Approved." The changes are of a pen and ink nature for the purpose of enhancing clarity. It is the intention of the Panama Canal Authority that these administrative modifications, in the aggregate, do not affect the tolls or other marine charges to vessels. Likewise, these modifications shall not affect the use of the International Tonnage Certificate, (ITC) 69 Total Volume (V) by the ACP as the basis of PC/UMS, nor is it anticipated that its acceptance level will change. These modifications seek higher Canal efficiency by means of more precise definitions of its terminology and processes. Therefore, there shall not be any financial impact as a result of these changes.

1.3 In the case of passenger vessels, the ACP proposes the assessment of tolls based on maximum passenger capacity (PAX-ITC) in accordance with the International Tonnage Certificate, (ITC) 69, or based on the vessel's passenger certificate. The charge is determined by two design parameters: (a) gross tonnage as specified by the ITC (69) and (b) the PCUMS / PAX-ITC ratio. Vessels over 30,000 gross tons whose PCUMS / PAX-ITC ratio is equal to or less than 33 will be charged tolls on a per berth basis according to the enclosed table. If such 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.

1.4 The ACP proposes a modification of the tolls system, by market segment, so that each segment charged a given price (see enclosed table). The proposed tolls take into consideration the Canal impact on the cargo transported, vessel operating costs and the existing transportation alternatives. The TEU tolls of \$54.00 and \$43.20 that appear in the enclosed table were approved in 2005 and are not part of this proposal. The new TEU tolls will become effective starting May 2008.

Proposal to Modify the Regulations for the Admeasurement of Vessels and the Tolls System (in \$U.S. Dollars)

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

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 or equal to 33, shall pay tolls on a per berth basis. If such 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.

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:

2.1 Public Consultation: There will be a public consultation period that begins on February 2 and expires on March 12, 2007, at 4:15 p.m., local time.

2.2 Public Hearing: A public hearing will be held on March 14, 2007, in the the "Ascanio Arosemena" auditorium, Balboa, Republic of Panama, and shall begin at 9:00 a.m., local time.





NYK President joins ACP Advisory Board

In December, the ACP appointed Nippon Yusen Kabushiki Kaisha (NYK Line) President Koji Miyahara as its newest Advisory Board member. This appointment helps strengthen the Canal's focus in maritime shipping and provides the Board with additional representation from Japan, one of the largest users of the Panama Canal. Mr. Miyahara will play a key role in the implementation of the ACP's expansion plans.

The Advisory Board was founded in 1999 at the time of the transfer of the Canal to Panama. The members of the Advisory Board provide strategic counsel to the ACP and its Board of Directors on issues related to the management and administration of the Canal, including finances, insurance, operations and permanent modernization.

Mr. Miyahara is a prominent Japanese lawyer who became President of NYK Line in 2004. He has more than 30 years of experience in the maritime industry.

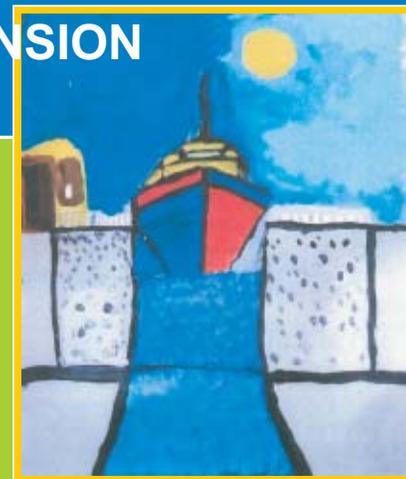
Advisory Board Member Embiricos writes a children's book about the Panama Canal expansion

Can we interest the public about shipping by interesting children? This in itself could give rise to a long series of articles. Recently, a children's book about the rationale behind the expansion plans for the Panama Canal, "The Panama Canal and its Expansion," was written by Philip A. Embiricos and published under the aegis of the ACP.

The author, a Greek national, comes from a traditional Greek shipping family and is married to a Panamanian. He is serving as a member of the ACP Advisory Board and has participated on many occasions, in IMO work, as a representative of several shipping associations.

THE PANAMA CANAL AND ITS EXPANSION

By: Philip A. Embiricos



Conscious of the fact that, in the public's eye, shipping is sometimes seen as synonymous with pollution tainted with the occasional fraud, Mr. Embiricos decided to restore the image of shipping by convincing the children that without shipping their lives would be completely different. Thus, Mr. Embiricos wrote a simple booklet where shipping, commerce and its relevance to Panama would be explained. What he thought would take three weeks took in fact more than three months, but some interesting facts emerged. When the Spanish version came out, some people felt that it should be translated into English. With the sponsorship of BIMCO, the English version of the book was published and distributed among the BIMCO's membership. Currently, this interesting and easy-to-read book, which appeals not only to children but to people of all ages, is being published in Chinese.



We want your comments

Your comments and suggestions are very important to us. If you need additional copies mailed to other officials within your corporation, please contact us at the address indicated in the next box.

for more information

Panama Canal Authority
Corporate Planning and Marketing (PM)
P.O. BOX 526725 Miami FL. 33152-6725

Tel. (507) 272-7961
Fax. (507) 272-1416
e-mail: customerrelations@pancanal.com

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