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ADVISORY TO SHIPPING No. A-29-2018

August 31, 2018

TO : All Shipping Agents, Owners, and Operators

SUBJECT: Modifications to the Transit Reservation System Rules for Neopanamax Vessels

Beginning October 1, 2018, certain navigation restrictions currently imposed on LNG vessels will be lifted. Specifically, meetings between opposing LNG vessels in Gatun Lake will be allowed, as well as transiting during hours of darkness in certain areas of the Canal.

In order to maximize the benefits of these new navigation rules, modifications to the Transit Reservation (Booking) System for Neopanamax vessels are required. The following changes are the result of in-depth analysis of the needs of this market segment and consultation with our customers. Among the main issues addressed were the need to increase the number of LNG vessels that may book per day, and adjustment of the booking periods based on the needs of the LNG industry, which include the spot and long term contracts market (Annual Delivery Program) scheduling.

The modifications to the reservation system also address the current practice by some LNG customers of acquiring booking slots during the first period competition, to the point where these slots are nearly sold out up to 365 days in advance, while in reality these slots are only used on average 60 percent of the time. This practice is detrimental since it creates the perception that the Panama Canal does not have the capacity to handle the actual LNG demand, affecting not only the best interests of the Panama Canal Authority (ACP) and the LNG industry, but of other customers as well.

These modifications will allow the Panama Canal to better handle the present and expected demand for LNG vessel transit slots by providing the certainty and flexibility required by the LNG market segment. These changes should also improve the efficiency of the transit reservation system, which will benefit all users of the Neopanamax locks.

The modifications that will be implemented for Neopanamax vessels include a new booking period within the 1st Booking Period; modifications in the duration of the periods; redistribution of slots within the periods; modifications to the cancellation fee structure; as well as other modifications, which will become effective October 1, 2018.

Modifications to the Neopanamax Booking periods.

1. The 1st Booking Period for Neopanamax vessels will extend from 365 days to 81 days prior to the booking date.

OP, August 31, 2018

Subject: Modifications to the Transit Reservation System Rules for Neopanamax Vessels

2. A new booking period, called Booking Period **1.a**, will extend from 80 days to 31 days prior to the booking date.
3. The 2nd Booking Period will extend from 30 days to 4 days prior to the transit date.

Distribution and Allocation of Booking Slots per Booking Periods.

1. During the 1st Booking Period, a total of three (3) slots will be offered to all interested vessels, except **LNG** vessels. Of these three (3), a maximum of two (2) may be allocated to vessels transiting in the northbound direction, and a maximum of one (1) may be allocated to vessels transiting in the southbound direction. LNG vessels will not be allowed to book during the 1st Booking Period beginning with the 1st Period competition to be carried out on **September 1, 2018**.
2. During the Booking Period **1.a**, two (2) slots will be offered daily, one northbound and one southbound. Only one (1) of these slots may be allocated to an LNG vessel. During the tiebreaker competition at the beginning of the period (between 0900 and 0930 hours), the allocation of these slots will be handled in the following manner:
 - a. The first of the two (2) slots will be allocated to the full container vessel with the highest ranking that participates in the competition. If no full container vessels are interested, the slot will be allocated to the LNG vessel with the highest ranking that participates in the competition. If no LNG vessels are interested, the slot will be awarded to any vessel that participates in the competition, based on ranking.
 - b. The second slot will be allocated to the LNG vessel with the highest ranking that participates in the competition, taking into account the limits per direction and/or restriction and provided that the 1st slot was not awarded to an LNG vessel. If no LNG vessels are interested, the slot will be allocated to the full container vessel with the highest ranking that participates in the competition. If no full container vessels are interested, the slot will be awarded to any vessel that participates in the competition, based on ranking.
 - c. After the competition, the remaining slots will be allocated to interested vessels on a *first come-first served* basis for the remainder of the period.
 - d. Unused slots that are carried over from the 1st Booking Period to Booking Period **1.a** will be awarded based on ranking during competition, and on a *first come-first served* basis after the competition.
3. The maximum number of slots that may be allocated during Booking Periods **1** and **1.a** is three (3) for vessels in the northbound direction and two (2) in the southbound direction.
4. During the 2nd Booking Period, two slots will be made available to all vessels, including LNG vessels, in addition to any unused slots that are carried over from the previous periods. Container vessels shall have preference over other vessels when assigning these slots or

OP, August 31, 2018

Subject: Modifications to the Transit Reservation System Rules for Neopanamax Vessels

any slots that are carried over from the previous period during competition, followed by LNG vessels. After the competition, the slots will be awarded on a *first come-first served* basis.

The slot distribution of per booking period will be as follows:

BOOKING PERIOD	MAXIMUM # OF SLOTS OFFERED PER DIRECTION		# OF SLOTS PER PERIOD
	NORTH	SOUTH	
1	2	1	3*
1.a	1	1	2
2	1	1	2
Maximum per direction**	4	3	7**

*includes the slot from the special period for passenger vessels

**does not include the conditioned slot announced in Advisory to Shipping A-10-2018

5. The maximum number of “*daylight-restricted*” booking slots remains at one per direction, and the maximum number of slots that may be allocated to LNG vessels will be two (2) per day, either two in the northbound direction, or one northbound and one southbound.

In summary, the maximum number of “*daylight-restricted*” slots combined with slots awarded to LNG vessels per direction is as follows:

- a. Two northbound LNG vessels and one *daylight-restricted* vessel (either northbound or southbound);
- b. One northbound LNG vessel, one southbound LNG vessel, and one *daylight-restricted* vessel (either northbound or southbound);
- c. One *daylight-restricted* northbound vessel, one daylight southbound vessel, and one LNG vessel (either northbound or southbound).

In order to implement the above-mentioned modifications effectively, LNG vessels that have already obtained slots during Period 1 for all booking dates from **October 1, 2018** forward, will be allowed to release those slots without being assessed a cancellation fee, provided that the slots were awarded prior to the publication of this advisory, and that the request is received no later than September 9, 2018. Vessels that elect to retain their slots past September 9, 2018, will be subject to the additional charges stated in the paragraphs below, if the slots are cancelled on or after September 10, 2018. The request to “VOID” the booking shall be submitted through the ACP’s Maritime Service Portal, by fax or through other acceptable means as determined by the ACP.

We encourage all customers to take this opportunity to release any slots that may not be used in the future in order for the ACP to reallocate the slots to other interested vessels, and to avoid the application of the surcharges mentioned below.

OP, August 31, 2018

Subject: Modifications to the Transit Reservation System Rules for Neopanamax Vessels

For cancellation of slots of LNG vessels with bookings for dates on or after October 1, 2018, the following *additional* cancellation fees will apply:

Cancellations between 365 and 81 days prior to the vessel's booking date, the regular cancellation fee will be applied in accordance with the published ACP Official Tariff.

For booking cancellations between 80 and 31 days prior to the vessel's booking date, a surcharge of **\$15,000.00 USD** will be assessed in addition to the regular cancellation fee.

For booking cancellations between 30 and 4 days prior to the vessel's booking date, a surcharge of **\$25,000.00 USD** will be assessed in addition to the regular cancellation fee.

For booking cancellations with less than 4 days prior to the vessel's booking date, or for booked LNG vessels that fail to arrive by 0600 hours on their booked date, an additional fee of **\$35,000.00** will be assessed, in addition to the regular cancellation fee. In either case, if the vessel fails to arrive within the next five (5) days after the booked date, the customer who requested the booking will be penalized with the reduction of 0.5 transits in the transit portion of the customer's ranking.

The surcharges and ranking penalty mentioned in the previous paragraphs shall not apply when the reason for the vessel's late arrival or cancellation of the reservation is due to a medical or humanitarian emergency, fortuitous event or force majeure, as stated in Article 23A of the Maritime Regulations for the Operation of the Panama Canal.

Substitutions and changes in booking dates will not incur in the above-mentioned surcharges.

Transition period for the allocation of slots in Booking Periods 1.a and 2.

The new Booking Period **1.a** will commence November 29, 2018. Applications for booking slots for this period will begin at 0900 hours, September 10, 2018.

In addition, at 0900 hours September 10, 2018, competitions will be held for allocation of Booking Period **2** slots for October 1 to October 10, 2018.

Since some dates within Booking Period 1 have already been sold out up to one year in advance, there may be days where no slots are available in the new Booking Period 1.a. In these cases, competitions will not be held. If slots are released during the grace period or cancelled for booking dates between October 1, 2018 and November 28, 2018, these will be offered at the opening of the corresponding 2nd period through competition. If the slots released or cancelled are for dates beginning November 29, 2018 and beyond, these will be incorporated into Booking Period **1.a**.

For booking dates between October 1, 2018 and November 28, 2018, LNG vessels may request booking slots during the 2nd Booking period through the normal booking process, whereby up to two (2) slots may be awarded to LNG vessels.

OP, August 31, 2018

Subject: Modifications to the Transit Reservation System Rules for Neopanamax Vessels

The following table is provided for clarification purposes:

DATE OF CANCELLATION REQUEST	FOR BOOKING DATES	CHARGE TO BE ASSESSED	AWARD PROCESS FOR RELEASED SLOTS
31 Aug – 9 Sept 2018	1 Oct – 28 Nov 2018	No charge (grace period)	Through Competition in corresponding Period 2
31 Aug – 9 Sept 2018	29 Nov 2018 and beyond	No charge (grace period)	Through Competition in Period 1.a of booking date
10 Sept 2018 and beyond	1 Sept - 30 Sept 2018	Regular cancellation fee	Current rules
10 Sept 2018 and beyond	1 Oct – 28 Nov 2018	Regular cancellation fee plus surcharge	Through Competition in Period 2 of booking date
10 Sept 2018 and beyond	29 Nov and beyond	Regular cancellation fee plus surcharge	Through Competition in Period 1.a

Other relevant changes.

Substitutions between Neopanamax vessels will only be allowed between vessels from the same market segment. The Ship Type Code table presented in Advisory to Shipping A-34-2017 will be used to determine the vessel types that fall within each market segment.

The required arrival time for LNG vessels is being modified to **0200** hours of the transit date.

The ACP is confident that these modifications will improve the utilization of the Transit Reservation System and provide added value to the waterway. Nevertheless, these rules may be modified and additional provisions may be established at any time in order to guarantee the effectiveness of the system.

We look forward to continue serving you in the future.

ORIGINAL SIGNED

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