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18 January 2012

CAN(12)01

TO: CANALS SUB-COMMITTEE
Copy: All Full and Associate Members (for information)

RESPONSE FROM THE SUEZ CANAL AUTHORITY

Action required: to note the attached response from the Suez Canal Authority to the Round Table letter concerning the recently announced increases in tolls.

Further to CAN(11)03, dated 16 December, members are invited to note the attached response from the Suez Canal Authority. Unfortunately the Canal has declined our request to postpone or reduce the proposed increases.

ICS is considering how best to respond, and would be grateful for members' input.

Emily Rowley
Adviser

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January 14, 2012

Mr. Peter Hinchliffe
Secretary General
International Chamber of Shipping
38 ST MARY AXE
London EC3A 8BH
Fax +44 20 7090 1484

Dear Mr. Hinchliffe:

I hope you'll enjoy good health and every happiness in the 2012. I wish to refer to your letter of 15 December, 2011 written on behalf of the Round Table of international shipping associations (International Chamber of Shipping, BIMCO, Intercargo and Intertanko) regarding the recently announced increase in Suez Canal toll prices, due to take effect on 1 march 2012.

I shall be honored to state the following in reply to your letter:

- 1- The Suez Canal Authority (SCA), aware of the worldwide economic crisis and its severe impact on the global shipping industry, has fixed the transit tolls for the years from 2009 to 2011 while keeping the incentives and reductions for certain types of vessels unchanged. It is also worthy to note that the SCA had frozen the transit dues for ten consecutive years from 1996 to 2005 due to the economic conditions of the maritime transport despite inflation in world prices at that time. The increases that took place after that were marginal and less than the rates of inflation despite the fact that there were great possibilities to push them higher on the scale as had been recommended by the economic studies.
- 2- The SCA incurs exorbitant investment costs for the purpose of implementing the SC continuous development projects for deepening and widening the Canal, upgrading its navigation aids and safety systems to secure a safe and smooth transit of vessels. While the current financial crisis continues with its bad impacts on the Suez Canal and its revenues, the SCA, out of its keenness to maintain the Canal's role in servicing world trade, has kept the Canal developed and deepened by increasing the permissible draft of the navigational channel to 66ft in January 2010; at the same time the SCA is considering other development projects that will enhance safeguarding and securing the passage of vessels through the Canal.

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- 3- All indices and indicators expect that there will be a growth in the volume of world trade in 2012 although slightly lower than the last year's rate, the fact remains that a growth is expected. The same applies to charter and freight rates as well.
- 4- The three month notice given before any announcement of changes in tolls is a commitment that the SCA abides by since the Canal was inaugurated and in compliance with the second Concession decree of 5 January 1856.

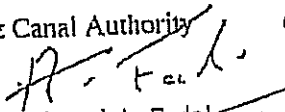
Finally, I would like to assure you that the SCA is precisely monitoring on a daily basis all economic changes and world trade traffic of various types of vessels, so that the Canal can be the optimum choice for ship operators and owners. It is of our utmost pleasure that we receive your remarks and comments; therefore we can work on them unveiling any ambiguities that they might have for the sake of world shipping industry

With my best wishes and kindest regards,

Sincerely yours,

Chairman & Managing Director

Suez Canal Authority


Adm. Ahmed A. Fadel