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INTERNATIONAL LAWYERS

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## PM&A NEWSLETTER

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### ANNOUNCEMENT

Patton, Moreno & Asvat is pleased to announce that **Ivette E. Martínez S.** has become partner of the Firm.



As a Bachelor in Law and Political Sciences at the University of Panama, Magna Cum Laude, Ivette ranked top of her class of 1993 and also received the Ricardo J. Alfaro and Juanita Oller de Mulford Awards for the highest academic average of the graduating class. As a Fulbright Scholar, she attended Fordham University in New York, where she obtained an LL.M. in Banking, Corporate and Finance Law Cum Laude in 1996.

She has ample experience as legal counsel in the public and private sectors and she has specialized her practice in Corporate, Commercial and Administrative Law, including Mergers & Acquisitions, Public Procurement, Securities, Banking, Insurance, Telecommunications and Energy.

Ivette has been a board member and Past-President of The American Chamber of Commerce and Industry of Panama (AmCham). She is currently member of the Panama Bar Association and listed arbitrator of the Mediation and Arbitration Center of Panama, among other organizations.

With the incorporation of **Ivette Martínez** as partner, **Patton Moreno & Asvat** reiterates its constant commitment to provide its international and local clientele with the highest level of academic and professional excellence.

## **BUSINESS OPPORTUNITIES IN PANAMA**

### **GE WILL MOVE REGIONAL HEADQUARTERS TO PANAMA**

General Electric will move its regional office for Central America and the Caribbean to Panama, taking advantage of Panama's legislation on multinational headquarters. GE, which is presently headquartered in Costa Rica, has participated in many local contracts for the hydroelectric sector.

If you are interested in receiving details of commercial ventures, please contact Ms. Ivette Martinez, [imartinez@pmalawyers.com](mailto:imartinez@pmalawyers.com)

### **SANTA BARBARA AIRLINES BEGINS FLIGHTS TO PANAMA**

The Venezuela-based regional airline Santa Barbara Airlines (SBA) announced it was opening the route Caracas-Panama and will fly daily to the Isthmus. The company founded 14 years ago in Zulia, Venezuela, will service the route with a Boeing 757-200ER, leaving Caracas every day at 6:30 am arriving at 7:30am and leaving Tocumen Airport, Panama at 8: 45 arriving at 11:15 am. SAB flies to Miami, Quito, Ecuador, Panama, Tenerife, Canary Islands, Madrid and Funchal, Madeira Island. The company plans to expand frequency from Quito to Lima and open direct flights from Caracas to Sao Paulo, Brazil, and Buenos Aires, Argentina.

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### **P&G TO LOCATE HQ IN PANAMA**

The US multinational consumer goods manufacturer Proctor & Gamble has announced that the company will locate its Latin America regional headquarters in Panama. Panama is the third country in which P&G has decided to open a regional center, P&G.

CEO Robert McDonald said. McDonald, who continues his tour of Central America with trips to Costa Rica and Mexico, expressed his confidence in the "Panamanian standards that focus on attracting capital and maintaining the rate of investment in the country." P&G, founded in 1837, is headquartered in Cincinnati, Ohio and is one of America's oldest companies. In 2008, the reported a revenue of \$83Bn despite the slumping economy.

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### **COPA AIRLINES TO BUY 13 MORE BOEING 737 PLANES**

Copa Holdings SA's Copa Airlines unit has ordered 13 more of Boeing Co.'s next-generation 737-800 airplanes for about \$1Bn, nearly doubling its original order. The Panama-based airline said it now has 27 of the planes on firm order from Boeing. There are also options for an additional eight.

Although many U.S. airlines have been cutting back capacity to align with a decline in demand, Copa and some other international airlines have fared better because of fewer flights and less

competition to begin with. The planes, to be outfitted with modern, 787-style interiors, are expected to reduce fuel consumption through a combination of airframe and engine improvements. Copa Airlines Chief Executive Pedro Heilbron said the 737s have been "a major factor" in Copa's success, providing it with operating and cost savings. The deliveries of the 13 planes are scheduled to start in 2012.

If you are interested in receiving details of commercial ventures in the aviation sector, please contact Ms. Maria de Lourdes Marengo, [mmarengo@pmallawyers.com](mailto:mmarengo@pmallawyers.com)

### **SPAIN-LED TEAM WINS LOCKS CONSTRUCTION CONTRACT IN PANAMA CANAL EXPANSION**

A construction team led by Spanish contractor Sacyr Vallehermoso SA has won the Panama Canal expansion's largest contract to date: the design-build job to build a third set of locks on the waterway's Atlantic and Pacific openings. The locks contract is the heart of the \$5.3Bn effort begun in September 2007 to expand the historic waterway. The winning team, which includes two U.S. engineering firms, proposes to construct the locks for \$3.12Bn. The job had been estimated by owner Panama Canal Authority (ACP) to cost \$3.48Bn.

The winning team, known as Grupo Unidos por el Canal, also includes three other contractors: Impregilo SpA of Italy, Belgium's Jan De Nui NV and Constructora Urbana SA (CUSA) of Panama. Constructora Urbana is already working at the site on other canal-related projects. Also on the team are two U.S. firms—Broomfield, Colo.-based MWH and Tetra Tech, Pasadena, Calif.—along with Holland's IV Groep. Heerema Fabrication Group, also based in the Netherlands, is a team member as well.

The selection was based on Grupo Unidos' total score, including technical evaluation and price proposal, ACP officials said. Technical proposals were evaluated based on execution of construction and operations, design of electronic and mechanical systems and design of the locks' structures, gates and hydraulics, the officials explained.

The selection is the culmination of a process that drew into the competition four teams comprising 30 global firms. One team chose not to submit a proposal, but the other two whose proposals fell short in the final competition were led by Bechtel International Inc., San Francisco, which offered \$4.2Bn, and Spain's ACS Servicios, Comunicaciones y Energía, S.L., whose proposal was close to \$6Bn. The Bechtel team included Taisei Corp. and Mitsubishi Corp., both of Japan. The ACS team included Germany's Hochtief Construction AG and Constructoras ICA SA de CV of Mexico.

The proposed third set of locks will employ sliding gates similar to those at the Barendregt canal in Amberes, Belgium, and a series of water-saving basins used in Germany. ACP chose to integrate both the Atlantic and Pacific locks into a single design-build contract in order to ensure consistency in the final product. The single-lane, three-step set of locks will consist of lock chambers measuring 427 m long x 55 m wide x 18.3 m deep. When complete, it will allow larger post-Panamax ships to use the waterway. The expansion is to be completed in 2014, in time for the canal's centennial, and will more than double the capacity of the historic waterway. "Today's event marks a critical milestone for ACP and Panama as we determine which consortium will design and build the canal's new locks," said ACP administrator Alberto Alemán Zubieta.

If you are interested in receiving details of the Panama Canal expansion and of the tenders opportunities launched by the Panama Canal Authority (ACP) and opportunities in the maritime sector, please contact Ms. Maria de Lourdes Marengo, [mmarengo@pmalawyers.com](mailto:mmarengo@pmalawyers.com) and Ms. Ivette Martinez, [imartinez@pmalawyers.com](mailto:imartinez@pmalawyers.com)

### **PANAMA CANAL CALLS BIDS FOR LARGEST DREDGING PROJECT**

The Panama Canal Authority (ACP) has solicited proposals for its fourth dry excavation contract. The ACP said this is the second largest and most complex project, after the construction of the third

set of locks awarded to a Spanish-led consortium. The dry excavation plans 54% of the total work needed to create the new access channel. It includes excavating 27M m<sup>3</sup> of material, installation of a backfilled cellular cofferdam water barrier and construction of an earth-rock filled dam on the channel's eastern bank to link the new Pacific locks with the waterway's existing Gaillard Cut. "This project will create the final portions of the expansion's new lane – and will require keen expertise due to its scope and quantity of work," said ACP engineering and program management VP Jorge Quijano.

ACP will now proceed to a prequalification process, where bidders have to submit evidence of their technical and financial capability. Once qualified, companies can submit proposals. Technical proposals are due on 31 August and price proposals on 30 October.

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## PANAMA IN THE INTERNATIONAL NEWS

### LAWYERS' REAL ESTATE BLOW

Fairplay International Shipping Weekly, July 9, 2009

#### **Admiralty firms with diversified practices are being hit hard by recession-related pressures impacting their non-maritime trades**

Randall Webster, an associate lawyer at Quijano & Associates, has told Fairplay that the firm's real estate business has decreased by 25% in the last 12 months, and that its "revenue in that area alone will feel the squeeze this year." The law firm, which celebrates its 50th anniversary this year, opened a real estate practice a half decade ago. With its 14 lawyers and 75 staff worldwide, Quijano & Associates was the first Panamanian firm to open offices in Europe in the 1960s. "Asian ship-owners represent 80-85% of our maritime business," said Webster when discussing the firm's shipping practice. "We feared this would not be a good year, but we have seen growth as the year has developed," he reported.

"The [real estate] bubble was doomed to burst, when Panama began to be more expensive than Miami," said Tomás Avila of law firm Illueca & Associates, adding: "We continue to have some business, but it is much, much less than a year or two ago."

In the maritime sector, Illueca & Associates has entered traditional markets such as Asia, where it faces considerable competition. "We [at Illueca & Associates] compete in services and that is where we have our edge," he said. With the new Martinelli administration promising change, Panama's lawyers remain confident that their admiralty practices will continue to thrive.

**Ambitions and reforms** --Attorney Maria de Lourdes Marengo of Patton, Moreno & Asvat was elected president of the Panama Maritime Law Association (PMLA) in June. She told Fairplay that the PMLA will work closely with Panama's Chamber of Shipping to push for the launch of the long-delayed Maritime Arbitration Centre. Marengo's agenda is ambitious, but many of the PMLA's goals coincide with reforms being targeted by the incoming Martinelli administration – in particular, a complete revision of Panama's consular functions, which have been the focus of corruption scandals in past decades.

**Need for transparency** --The new administration "must activate the Panama Maritime Authority [AMP] International Maritime Advisory Council with professionals of the sector". "We consider this [to be] the first step to provide the AMP with an [external] quality control organization," she explained. The maritime sector needs more transparency, she continued. "We should also work

jointly with the AMP and the Chamber of Shipping to promote the registry, its incentives and our new maritime laws", concluded Marengo.

## **FITCH AFFIRMS BANCO NACIONAL DE PANAMA'S RATINGS: OUTLOOK**

### **Business Wire, July 31, 2009**

NEW YORK--(BUSINESS WIRE)--Fitch Ratings has affirmed Banco Nacional de Panama's (Banconal) ratings as follows:

- Foreign Currency Long-Term Issuer Default Rating (IDR) at 'AA(Pan)';
- Foreign Currency Short-Term IDR at 'F1+(Pan)'.

The Rating Outlook is Positive.

Banconal's IDRs reflect the support it would receive from its sole shareholder, the Republic of Panama, should it be required. Banconal's Positive Outlook is in line with Panama's sovereign rating ('BB+'). The ratings consider its strong franchise, ample liquidity, low cost deposit base and sound capitalization; they also factor in its weak IT systems, below average portfolio quality, loan and deposit concentration, and low revenue diversification.

Banconal's new CEO is set to build on the reforms implemented by the previous administration; its focus will be on achieving higher efficiency and improving profitability; a goal that is achievable provided that the IT overhaul is completed rapidly. Future growth will be moderate given the economic landscape and the bank's operating constraints. The portfolio mix could see the public sector become more important given the government's ambitious infrastructure program and the on-going expansion of the canal. Non-interest revenues should grow faster once the technology is in place; overall efficiency gains will take some time to become a reality. Asset quality is expected to decline moderately but reserves should remain acceptable and capital ratios decline slowly towards the industry average. Banconal is Panama's largest state-controlled commercial bank and the third largest bank in the country by assets; it holds 9.2% of the system's assets as of March 2009. Banconal serves customers in the public sector, corporate and retail segments through a network of 67 branches and 140 ATMs; it is 100% owned by the Republic of Panama.

### **PATTON MORENO & ASVAT**

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