



PATTON, MORENO & ASVAT
INTERNATIONAL LAWYERS

PMA BUSINESS LETTER

A PMA Group publication

NOVEMBER 2009—No.14/2009

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BUSINESS OPPORTUNITIES IN PANAMA

➤ PANAMA CANAL AWARDS CONTRACT FOR QUALITY MATERIAL TESTING

The Panama Canal Authority (ACP) awarded the contract to perform quality assurance material testing to Laboratorios Contecon Urbar Panama, S.A. After thoroughly reviewing bid submissions and ensuring compliance with its regulations, the ACP confirmed the winner. Laboratorios Contecon Urbar Panama, S.A. will verify and monitor the quality of materials and methods used by Grupo Unidos por el Canal (GUPC), the consortium awarded the contract to design and build the waterway's new set of locks. The firm will also verify GUPC's field and laboratory testing results, analyzing elements such as cement and concrete, among other materials. Subsequently, both GUPC and Laboratorios Contecon Urbar Panama, S.A. will submit their findings to the ACP's quality assurance engineers.

"As the new locks represent the most important expansion project, the ACP remains committed to ensuring that the best materials and methodologies are utilized in the locks' construction. Conducting verifiable quality assurance at this stage is essential to the completion of this project," said ACP Executive Vice President of Engineering and Program Management Jorge L. Quijano.

If you are interested in receiving details of business opportunities and commercial ventures in the maritime sector and details of the Panama Canal expansion program opportunities, please contact Mrs. Maria de Lourdes Marengo, mmarengo@pmalawyers.com, and Mr. Belisario Porras, bporras@pmalawyers.com

➤ FIRST BREEZES RESORT OPENS IN PANAMA

Breezes Panama, the newest addition to the Inclusive resort chain, opened its doors on October 1, 2009. The all inclusive resort marks the first Panamanian development by SuperClubs, and welcomes guests of all ages. Nestled between lush, tropical vegetation and the pristine Pacific Ocean, Breezes Panama is situated in the southern coastal resort community of Santa Clara in the Coclé province. Singles, couples and families can soak up the sun on the long stretch of beach, dive into five swimming pools or dine at four restaurants boasting Japanese, Italian and local fare. After a day of complimentary tennis or snorkeling, guests can retreat to one of 294 guestrooms and suites, or indulge in a rejuvenating treatment at the full-service, à la carte Miraflores Spa.

Every SuperClubs holiday is Super-Inclusive -- accommodations; all meals, supersnacks and premium brand cocktails; unlimited use of all sports facilities, including equipment rental and instruction; entertainment; weddings; recreational activities; and hotel taxes -- with absolutely no tipping allowed.

If you are interested in receiving details of commercial ventures, please contact Ms. Ivette Martinez, imartinez@pmalawyers.com

➤ **PANAMA LAUNCHES 'INTERNET FOR ALL' INITIATIVE**

Panama's president, Ricardo Martinelli, has announced the launch of a new national internet project designed to bring free internet access to the country's population in a bid to reduce the digital divide. The first phase of the 'Internet For All' project will see access points installed in 500 locations across eleven of the country's cities; Penonome, Colon, Columbus, David, Chitre, Arraijan, La Chorrera, Santiago, Sona, Pese and the capital, Panama City. The announcement comes after the government inked a deal with local vendor Liberty Technologies which will see the latter deploy a combination of Wi-Fi and WiMAX technologies for this free internet access. Download speeds for the connections are expected to be up to 512kbps, and a number of access centres will be set up in locations such as schools, parks and libraries. While no date has been announced for the second phase of the project, it has been revealed that it will cover cities Changuinola, Aguadulce, Meteti, Ocu and Los Santos.

If you are interested in receiving details of commercial ventures, please contact Ms. Ivette Martinez, imartinez@pmalawyers.com

➤ **COPA ANNOUNCES 17.7% TRAFFIC GROWTH FOR OCTOBER**

Copa Holdings, S.A. and its Copa Airlines and Aero Republica operating subsidiaries, released preliminary passenger traffic statistics for October 2009: For the month of October 2009, Copa Holdings' system-wide passenger traffic (RPM) increased 17.7% while capacity (ASM) increased 6.6%. System load factor for October 2009 was 80.8%, a 7.6 percentage point increase when compared to October 2008.

Copa Airlines passenger traffic (RPM) for October 2009 increased 16.6%, while capacity (ASM) increased 7.3%. This resulted in a load factor of 81.9%, a 6.5 percentage point increase when compared to October 2008.

Aero Republica passenger traffic (RPM) for October 2009 increased 24.7%, while capacity (ASM) increased 2.8%. Load factor for the month was 75.2%, a 13.2 percentage point increase when compared to October 2008.

Copa Holdings, through its Copa Airlines and Aero Republica operating subsidiaries, is a leading Latin American provider of passenger and cargo service. Copa Airlines currently offers approximately 144 daily scheduled flights to 45 destinations in 24 countries in North, Central and South America and the Caribbean. In addition, Copa Airlines provides passengers with access to flights to more than 120 other international destinations through code share agreements with Continental Airlines and other airlines. Aero Republica, the second-largest domestic carrier in Colombia, provides service to 12 cities in Colombia as well as international connectivity with Copa Airlines' Hub of the Americas.

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

➤ STANDARD & POOR'S RAISE PANAMA DEBT OUTLOOK TO POSITIVE

Standard & Poor's raised Panama's credit-rating outlook to positive, putting the Central American country on the cusp of an investment-grade rating, as tax increases and faster economic growth help keep the budget deficit in check.

S&P boosted the outlook from stable on the nation's BB+ rating, which is one level below investment grade and in line with countries including Egypt and Romania.

The Panama Canal, which is undergoing a \$5.25 billion expansion project through 2014 to handle larger vessels, will help propel the country's economy, S&P said. President Ricardo Martinelli's tax reform will boost revenue by about 0.75% of gross domestic product, helping fund the country's "ambitious program of public investment," according to S&P.

Panama's general government deficit may shrink to 1.8% of GDP in 2010 from an estimated 2.2% this year, S&P said.

Credit-default swaps, contracts investors use to protect against non-payment, show Panama trading as investment grade.

The cost of protecting Panama's debt against default for five years is 1.42 percentage points, according to data compiled by CMA Datavision. By comparison, it costs 1.46 points to protect securities issued by South Africa and 1.50 points to protect bonds sold by Greece, countries that S&P rates at least three levels above Panama.

A basis point equals \$1,000 on a swap protecting \$10 million of debt against default. Credit-default swaps, conceived to protect bondholders against default, pay the buyer face value in exchange for the underlying securities or the cash equivalent should a company fail to adhere to its debt agreements.

"Panama could be the next sovereign in Latin America to obtain an investment-grade rating," S&P said in a statement. "The positive outlook reflects our expectation that further fiscal consolidation and continued GDP growth could merit" an increase.

PANAMA IN THE INTERNATIONAL NEWS

➤ REGULATORS TO CONCLUDE INTERCONNECTION'S REGULATORY HARMONIZATION IN Q1-COLOMBIA –PANAMA - BUSINESS NEWS AMERICA OCTOBER 7, 2009

Colombia's energy and gas regulator [CREG](#) and Panama's public services watchdog [Asep](#) aim to wrap up the regulatory aspects of a planned power interconnection by the end of the first quarter next year.

CREG made the announcement at an informative meeting in Bogotá to update the project. A similar event will be held in Panama at month-end.

In March, the regulators signed an agreement to harmonize the countries' electricity frameworks to facilitate energy exchange in particular in the lead up to the interconnection.

Colombia's state transmission company [ISA](#) and Panama's equivalent [Etesa](#) have established Interconexión Eléctrica Colombia-Panamá to advance the project, which envisions a 614km line: 340km in Colombia and 274km in Panama.

The connection will have an initial transmission capacity of 300MW. Construction is due to take 24-36 months and the project could double transport capacity by 2015-20.

➤ **WINNER LIFETIME ACHIEVEMENT AWARD ALBERTO ZUBIETA, PANAMA CANAL AUTHORITY - LLOYD'S LIST
OCTOBER 7, 2009**

Chief executive of the Panama Canal Authority Alberto Alemán Zubieta is recognised for his long-standing and invaluable contribution to shipping and maritime transport.

Under his leadership, the ACP's vision is to transform the canal into a world leader in services to the maritime industry, the cornerstone of the global transportation system and a model of excellence, integrity, and transparency.

At the local level, Alberto Alemán has been instrumental in promoting a sense of pride among Panamanians. At the international level, the maritime industry has acknowledged his leadership in transforming the canal into a successful model of operation. For these reasons, he is frequently requested in different forums to share his thoughts and best practices.

As everyone knows, the canal is undergoing an historical expansion, a project that Alberto Alemán will see to fruition over the next five years. The ambitious plan will greatly increase trade between Asia and the East Coast of the US and allow the world's biggest ships through the canal.

We give this award to a very full career – so far – in dedication to global shipping and the people of Panama.

➤ **GREAT STRIDES FOR PANAMA
FAIRPLAY INTERNATIONAL SHIPPING WEEKLY - OCTOBER 15, 2009
FEATURE: SHIP REGISTRIES**

Panama's ship registry has maintained its coveted position as the world's largest open register through a series of reforms and customer incentives. Michele Labrut reports

On 4 September the registry represented 22.26% of the world's total merchant fleet, with 8,686 vessels totalling 205.5M gt. Improving satisfaction for customers of the register was a focus for Roberto Linares when he was designated administrator of the Panama Maritime Authority (AMP) and minister of maritime affairs on 1 July. At the time he told Fairplay "that means augmenting our technical personnel in Panama and abroad, upgrading the 24/7 call centre, visiting the registry's clients and developing new markets."

Following the flag's demotion to Paris MoU black list status last year, Panama responded with stringent requirements for ships over 20 years of age. They were ordered to submit to inspections from a Recognised Organisation before docking at ports within the Paris MoU. Failure to go through such inspections meant a fine or deletion from the registry and automatic cancellation for any vessel of that age detained twice in six months.

Detentions fell dramatically from 7.79% in January this year to 4.96% in September. The average detention rate was 9.14% in 2007, 7.9% in 2008 and had fallen to 6.15% in the period January-September 2009. The measures, considered drastic when implemented in August 2008, brought the cancellation of 73 vessels "and 101 more are in legal process to be cancelled," said Alfonso Castellero, director of the registry.

New merchant marine legislation approved in 2008 was implemented early this year, granting incentives for registering newbuildings and to those registering fleets, depending on gross tonnage and ship type. In addition, the Directorate of Merchant Marine issued a new resolution dated 9 February increasing the discounts given under Law 57 to newbuildings, for loyalty to the register and transfer of fleets. The response from shipowners was immediate, with registration of newbuildings increasing by 50% and thereby reducing the average age of the fleet from 19 years to 18.

Castillero commented that "the goal is to reduce the age of our fleet to 16-17 years by the end of 2010."

Discounts are also given on consular fees, applicable to the following year, for 'good conduct' to all vessels without detention within two years by Port State Control, Castellero said. He noted that 1,170 ships will receive such discounts in 2010. According to Castellero "size does matter". But he pointed out that two questions must be asked: does the size of a flag influence a shipowner when he chooses a register and is it convenient for the registry to take on large vessels. To these he answered: "Yes, it certainly is better for the flag to have large ships since the register invests fewer resources in controlling a small number of large vessels than a greater number of small vessels, but there are pro and cons to the issue.

"We cannot turn our back on medium-sized vessels of 15 to 30 years old that increase tonnage," he said, while admitting that older vessels have to be kept constantly under control.

Quality, independent of size

From the owner's point of view, the size of the register is important, Castellero argued. A well-known registry with large tonnage will defend owners' interests when regulations are debated internationally. "What is essential is to maintain quality, independent of size, while keeping customer satisfaction and the quality of maritime safety and pollution prevention. We have to deal with rules and regulations that are not uniform and this is an additional burden for all involved – flag, owner and operator."

Decisions on how the register functions remain centralised in Panama, he explained, which controls and oversees a network of 60 offices around the world that "follow our guidelines and apply our policies."