

**National (Legislative) Assembly**  
**LAW No.28**  
**(of July 17, 2006)**

**Approving the proposal for the construction of a third set of locks in the Panama Canal – which proposal was submitted by the Executive Branch – and establishing other provisions**

**THE NATIONAL ASSEMBLY**

**DECREES:**

**Article 1.** The proposal for the construction of a third set of locks in the Panama Canal is hereby approved, which proposal was previously approved by the Executive Branch by way of Cabinet Resolution No.58 of June 26, 2006, amended by Cabinet Resolution No.68 of July 10, 2006, and consists of an integral Canal capacity expansion program with an estimated cost in the order of 5,250 million balboas (national currency of the Republic of Panama, at par with the US dollar) and whose three main components are: (1) the construction of two lock facilities – one in the Atlantic and the other in the Pacific (oceans) – each with three steps, with water reutilization basins; (2) the excavation of access channels to the new locks and the widening of existing navigational channels; and (3) the deepening of navigational channels and the elevation of Gatun Lake's maximum operational level.

**Article 2.** The proposal approved by this Law shall be subject to the following provisions:

1. All of the works costs and pertinent financial or other liabilities which proceed therefrom shall be paid with moneys generated from Canal operations and from such tolls increases as may be determined from time to time, pursuant to relevant norms and procedures.
2. The Canal as defined in Law 19 of 1997 and given its inalienable nature, shall not be mortgaged, or encumbered in any other way whatsoever, in order to guarantee

the fulfillment of the liabilities originated by the project; nor shall it be the object of any precautionary measure to demand fulfillment of such liabilities.

3. During the construction of the project, payments by the Panama Canal Authority to the National Treasury in concept of surpluses shall not be less than those made in such concept for Panama Canal Authority Fiscal Year 2005.

The total amount of the transfers in concept of fees per net ton and surpluses shall not be less than the total amount of the transfers made for Panama Canal Authority Fiscal Year 2006.

4. No reservoirs shall be built for the operation of the third set of locks.
5. Funding for this project shall not bear State endorsement or guarantee.

**Article 3.** By reason of the construction of the third set of locks, the Panama Canal Authority shall develop the necessary studies to identify the most convenient alternative for establishing a vehicular crossing, be it a bridge or a tunnel on the Atlantic Side of the Panama Canal. The construction of the aforementioned vehicular crossing shall begin no later than immediately after the third set of locks is ready and the cost of the work shall be covered by the Panama Canal Authority.

**Article 4.** The contracts undersigned by the Panama Canal Authority with regard to the proposal to construct a third set of locks, shall be reflected on the pertinent budgets, pursuant to Title XIV of the Political Constitution of the Republic, the laws that develop such title, and the regulations it is subject to.

During the contracting process and the execution of the construction of the third set of locks, the Panama Canal Authority shall report to the National Assembly, the Executive Branch, and the Republic's General Comptroller's Office quarterly, by way of the submission of public reports on the status of contracting actions and the progress of works. These reports shall be the object of broad public divulgation, both through the media and the Executive Branch's computer systems, which may be accessed through the Internet.

In order to submit their report to the National Assembly, the Chairman of the Board of Directors and the Administrator of the Panama Canal Authority, shall personally

appear before the Entire Legislative Branch, once every six months or whenever the Assembly may thus require.

**Article 5.** For the purposes of ensuring the transparency and competence of all contracting actions related to the construction of the third set of locks described in Article 1 hereof, the Panama Canal Authority shall publish and make known through the media, including the Internet, all information that may allow bidders to know of and participate in the Agency's public contracting acts.

**Article 6.** During the contracting process and execution of the construction of the third set of locks, an Ad hoc Committee shall be appointed, which committee shall be formed by seven members, as follows: one representative from the National Council for Organized Labor (CONATO, by its acronym in Spanish), one representative from the National Council for the Private Enterprise (CONEP by its acronym in Spanish), one representative from Civic Clubs, one representative from the (University) President's Council, one representative from the Ecumenical Committee, a designated representative from the National Assembly, and a designated representative from the Executive Branch.

This Committee and its members shall be Ad Honorem in nature. It shall be summoned by the Executive Branch quarterly in order to receive, in the presence of the Chairman of the Board of Directors and the Administrator of the Panama Canal Authority, information and reports on the status of the contracting process and execution of the project; as well as to analyze and evaluate said information and reports, and formulate the observations or recommendations that the Committee may deem appropriate.

**Article 7.** The Electoral Court is hereby ordered to submit to national referendum the proposal for the construction of the third set of locks herein referred to, as well as empowered to organize and rule over the aforementioned referendum.

**Article 8.** The national referendum shall be held on the first Sunday after the end of a three-month period as from the promulgation of this Law, to the effect that all citizens decide on the proposal for the construction of the third set of locks, by way of their free, universal, equal and secret vote.

For the purposes of this referendum, the population shall answer the following question:

Do you approve the proposal for the construction of the third set of locks in the Panama Canal?

YES

NO

**Article 9.** For the purposes of this referendum, in addition to the Electoral Court and the National Scrutiny Board, with jurisdiction over the entire Republic; the following are considered electoral corporations: the Electoral Circuit Scrutiny Boards, with jurisdiction over their respective circuits, and the Voting Tables, with jurisdiction over the electoral precinct where they may function.

**Article 10.** To the effects of this referendum, the forty-one (41) electoral circuits of the Electoral Court, created by Decree 16 of May 23, 2003 shall be functioning.

**Article 11.** It is hereby forbidden to public officials, except for those elected by the People, to directly request the affirmative or negative vote during their working hours. However, for the purposes of the population to duly be maintained informed on this particular subject, those individuals who serve the Panama Canal Authority; the members of its Board of Directors; Ministers and Vice Ministers; and Directors and Deputy Directors of autonomous and semi-autonomous institutions, are hereby authorized to divulge and explain the proposal for the construction of the third set of locks.

Members of the Cabinet and the Board of Directors of the Panama Canal Authority shall be authorized to publicly support their vote regarding the proposal.

State resources, the provisions hereby excepted, may not be utilized to directly request the affirmative or negative vote.

**Article 12.** This Law shall become effective as from its promulgation.

BE IT PROMULGATED AND COMPLIED WITH.

**Approved during a third debate in the Justo Arosemena palace, in the City of Panama, on July 14, 2006.**

The Chairman,

(Signed) Elias A. Castillo G.

The Secretary General

(Signed) Carlos Jose Smith S.

**NATIONAL EXECUTIVE BRANCH, PRESIDENCY OF THE REPUBLIC OF PANAMA, REPUBLIC OF PANAMA, JULY 17, 2006.**

(Signed) MARTIN TORRIJOS ESPINO  
President of the Republic

(Signed) RICAURTE VASQUEZ MORALES  
Minister for Canal Affairs

This publication is an advance copy of the English translation of the “Ley No.28 (de 17 de julio de 2006), Que aprueba la propuesta de construcción del tercer juego de esclusas en el Canal de Panamá, sometida por el Órgano Ejecutivo, y dicta otras disposiciones.” (Law No.28 of July 17, 2006, approving the proposal for the construction of a third set of locks in the Panama Canal – which proposal was submitted by the Executive Branch – and establishing other provisions). While it has been reviewed for content, it may contain translation inaccuracies, which will be corrected upon issuance of the final publication. In any event, the official document shall be the Spanish version.