

# TITLE XIV OF THE

# POLITICAL CONSTITUTION

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**Article 315.** The Panama Canal constitutes an inalienable patrimony of the Panamanian Nation; it shall remain open to the peaceful and uninterrupted transit of ships of all nations, and its use shall be subject to the requirements and conditions established by this constitution, the Law, and its Administration.

**Article 316.** An autonomous legal entity by the name of Panama Canal Authority is hereby established under public law, which shall be exclusively in charge of the administration, operation, conservation, maintenance, and modernization of the Panama Canal and its related activities, pursuant to current constitutional and legal provisions in force, in order that it may operate the Canal in a manner that is safe, continuous, efficient, and profitable. This entity shall have its own patrimony, and the right to administer it.

The Panama Canal Authority, in coordination with other government agencies as established by the Law shall be responsible for the administration, maintenance, use and conservation of the water resources of the Panama Canal watershed, which include the waters of the lakes and their tributary streams. Any plans for construction, the use of waters, and the utilization, expansion, and development of the ports, or any other work or construction along the banks of the Panama Canal shall require the prior approval of the Panama Canal Authority.

The Panama Canal Authority shall not be subject to the payment of taxes, duties, tariffs, charges, rates or tribute of a national or municipal nature, with the exception of Panama Social Security payments, educational insurance, workmen's compensation, and public utility rates, except as provided in Article 321.

**Article 317.** The Panama Canal Authority, and all other institutions and authorities of the Republic related to the maritime sector shall be included in the national maritime strategy. The Executive Branch shall propose to the Legislative Branch the Law to coordinate all these institutions in order to promote the country's social and economic development.

**Article 318.** The administration of the Panama Canal Authority shall be under a board of directors composed of eleven members designated as follows:

1. One member designated by the president of the Republic, who shall preside over the board of directors and hold the rank of minister of state for canal affairs.
2. One member to be designated or removed freely by the legislative branch.
3. Nine members appointed by the president of the Republic as agreed with the Cabinet Council and ratified by the Legislative Branch by an absolute majority of its members.

The Law shall establish the requirements for the post of board member, guaranteeing the staggered replacement of the board members mentioned in Item 3 of this article, in groups of three, every three years. After the first replacement, all board members shall serve for a period of nine years.

**Article 319.** The board of directors shall have the following powers and duties, without prejudice to any other as determined by the Constitution and the Law:

1. Appoint and remove the Administrator and Deputy Administrator of the Canal, and establish their duties in accordance with the Law.
2. Set tolls, charges, and fees for the use of the Canal and its related services, subject to final approval by the Cabinet Council.
3. Make loans, with the prior approval of the Cabinet Council and within the limits established by the Law.
4. Grant concessions to provide services to the Panama Canal Authority and transiting vessels.
5. Propose the boundaries of the Canal watershed for approval by the Cabinet Council and the National Assembly.
6. Exclusively approve regulations to implement the general policies issued by the Legislative Branch as proposed by the Executive Branch, on contracts and procurement, and on any matters as may be required for the best operation, maintenance, conservation and modernization of the Canal within the national maritime strategy.
7. Exercise all the powers established by this Constitution and the Law.

**Article 320.** The Panama Canal Authority shall adopt a triennial financial planning and management system, according to which it shall approve its annual budget by means of a justified resolution; this budget shall not be included in the general budget of the government of Panama.

The Panama Canal Authority shall submit its draft budget to the Cabinet Council, which in turn shall submit it to the Legislative Assembly for consideration and review, approval or rejection, in accordance with Chapter II, Title IX of this Constitution.

Funds shall be allocated in the budget for Panama Social Security payments, and for the payment of charges for any public utilities provided, as well as for any surplus to be transferred to the Panama National Treasury, once the operating, capital project, management, maintenance, modernization, Canal widening, and the required contingency reserve costs are covered as provided according to the Law and its administration.

The Administrator shall be in charge of the implementation of the budget, which shall be monitored by the Board of Directors or its designee, and only through subsequent control, by the office of the Comptroller General of the Republic.

**Article 321.** The Panama Canal Authority shall make annual payments to the Panama National Treasury per Panama Canal net ton or its equivalent, from the monies collected from vessels transiting the Panama Canal, which are subject to the payment of tolls. The rates for these payments shall be set by the Panama Canal Authority, and shall not be less than those paid to the Republic of Panama for the same concept on December 31, 1999.

By reason of their transit through the Panama Canal, vessels, their cargo, passengers, owners or operators, or their operation, as well as the Panama Canal Authority may not be subject to any other national or municipal tax.

**Article 322.** The Panama Canal Authority shall be subject to a special employment regime based on a merit system, and shall adopt a general employment system that maintains, at least, basic employment conditions and rights similar to those existing on December 31, 1999.

All employees as well as those employees who must make use of the special retirement that year, whose positions are deemed necessary according to applicable provisions shall be guaranteed employment with the same benefits and conditions as they enjoyed up to that date.

The Panama Canal Authority shall hire, preferably, Panamanian nationals. The Organic Law shall regulate the hiring of foreign nationals, guaranteeing that there will be no detriment to the conditions or standards of living of Panamanian employees.

Considering the essential international public service rendered by the Canal, its operation may not be interrupted for any reason.

Any labor conflicts between the employees of the Panama Canal and its administration shall be resolved by the employees or their unions and the Administration, through the mechanisms established by the Law to resolve such conflicts. Arbitration shall constitute the last administrative instance.

**Article 323.** The regime contained in this Title may only be implemented by means of laws establishing general policies. The Panama Canal Authority shall regulate these matters and shall forward to the Legislative Branch within a period of fifteen calendar days copies of any regulations it issues in the exercise of this power.

**TEMPORARY PROVISIONS. Unless otherwise provided in this Constitution, the Panama Canal Authority shall incorporate into its organization the**

**administrative and operating structure existing in the Panama Canal Commission on December 31, 1999, including its departments, offices, positions, policies in force, regulations, and collective bargaining agreements, until such time as they are modified according to the Law.**