

GT-Panama Thesis Series

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GEORGIA INSTITUTE OF TECHNOLOGY

ISyE 6341/6342 - Capstone Project Long-haul Trucking Industry Report

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ABSTRACT

This document, analyze and provide access to relevant information regarding the long haul trucking industry in Panama, mainly the processes and documentation needed to cross borders and rates from/to Central America. Show two perspectives about what the law says and what is done in actual practice. The common long-haul trucking routes were depicted. A guideline on “how to start a trucking company” was created to promote and facilitate the creation of new businesses. The information is also available in a summarized way in the Georgia Tech Panama (GTP) Logistics portal.

INTRODUCTION

There is limited accessible information and recognition of the trucking industry in Panama. This industry has an important role in the Panamanian logistics. It has rapidly evolved mainly because of the Panama Canal transition to a 100% Panamanian management, the establishment of different free trade zones, and the increase of commerce in the country. It's expected to have a continual change in the following 10 to 15 years due to the Panama Canal expansion, fluctuating gas prices, and an increase on global and local trade. With the expected exponential increase in demand it is important to generate better understanding and recognition of the trucking industry for local and international entities' purposes.

The Panamanian trucking industry is composed of three different sectors: Long-haul trucking, urban freight, and trucking in major logistics areas between the cities of Colon and Panama. This report will focus on the long-haul trucking sector due to the lack of formal information on the subject, availability of data, and to obtain better information of the trade processes between Panama and Central American countries.

This project analyzes the actual characteristics of the industry, and its needs, allowing professionals to study the industry with more efficiency and to further compare Panama's trucking industry to others in the region.

GLOSSARY

The following glossary was developed to the jargon used in the Panamanian trucking environment. The list shows the key words in Spanish and English, and the definition.

English	Spanish	Definitions
Articulated vehicle	Vehículo articulado	Vehicle which has a permanent or semi-permanent pivoting joint in its construction, allowing the vehicle to turn more sharply. Tractor unit with a trailer or semitrailer.
Bill of Lading	Conocimiento de Embarque	Document issued by a carrier which details a shipment of merchandise and gives title of that shipment to the consignee of the goods, in order to establish the person who must pay the taxes that are levied and to make him accountable in cases of smuggling or fraud
Cost, Insurance and Freight (CIF)	Costo, Seguro y Flete (CIF)	A trade term requiring the seller to arrange for the carriage of goods by sea to a port of destination, and provide the buyer with the documents necessary to obtain the goods from the carrier.
Combine Truck	Camión combinado	Vehicle compound by a tractor unit and a trailer or a tractor unit, a semitrailer and a trailer.
Commercial Bill	Factura Comercial	Private document that a seller of a commodity extend to it acquirer.
Commercial Transport	Transporte comercial	Ground transportation service used exclusively to mobilize commercial loads.
Custom Management Enabler	Facilitadores de la Gestión Aduanera	Agency authorized by Customs to introduce shipments information to SIGA and produce documentation such as TIM and DUT.

Customs management integrated system	Sistema integrado de gestión aduanera (SIGA)	Internet portal in which documentation for ground cargo within Panama is allocated by the distributor in order to be transported. SIGA's objective is to that facilitates and enables the exchange of electronic information between the different actors in the business community, willing bodies of the various Ministries and the National Customs Authority of Panama.
Dragging unit	Unidad de arrastre	Trailer or semitrailer
Driver's License	Licencia de conducir	Document issue by the Authority of Transit and Transportation, which authorize a person to drive vehicles within the national territory. Such document is personal and no transferable.
Electronic Guide	Guía Electronica	Electronic document detailing the type, quantity and destination of the goods being carried.
Entry points	Sitios de entrada	All those places that allow entry of cargo into the national territory, whether by land, sea or air and in which Customs is present.
Flat	Mesa	A container consisting of a rectangular base fitted with corner posts or ends
Free Trade Agreement (FTA)	Tratado de Libre Comercio (TLC)	Multilateral agreement regulating trade based in GATT treaty, which objectives are the substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis
General Agreement on Tariffs and Trade (GATT)	Tratado General de tarifas y comercio	International treaty (1948–94) to promote trade and economic development by reducing tariffs and other restrictions. It was superseded by the establishment of the World Trade Organization in 1995
Heavy equipment	Equipopesado	Vehicle with more than 10 tons of total weight.
Manifest	Manifiesto de Carga	Document in which the conveyor inform to Customs the details of bill of lading, stating the code or identification number or those bills of lading and specifying if it is destined for transit, transshipment or local consumption, code or number of containers, bulk quantity, nature and weight of goods and the name of it respective consignees.

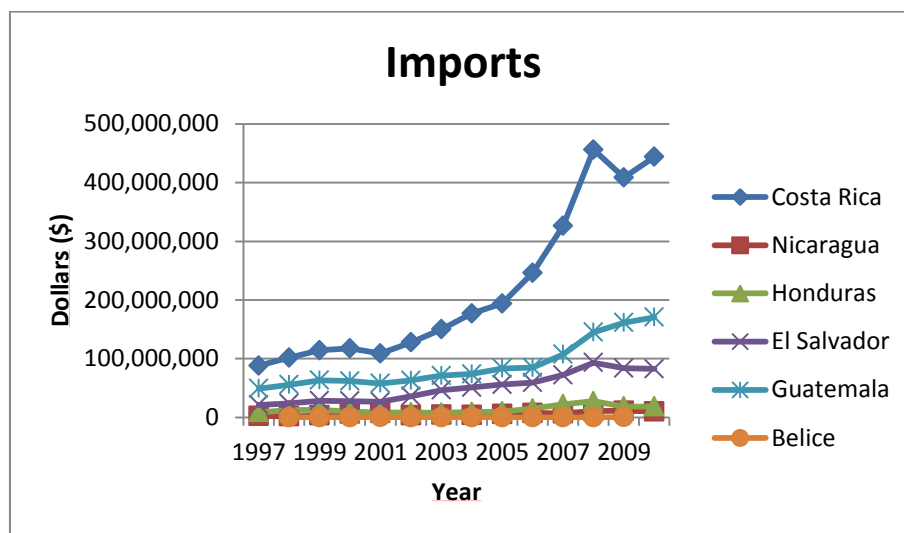
Mesoamerican merchandise international transit	Tránsito Internacional de Mercancías para Mesoamérica (TIM)	Automated standard procedure created to rationalized paperwork and formalities required by the several national authorities on the border between Panama to Mexico and inherent to control merchandise within the customs international ground transit. This document is required for any trip outside Panamanian border.
Road waybill	Carta de Porte	Granted ownership of the goods to the proprietor. Usually, this is issued by the ground transportation company. According to the requirements of timely bank and agreed between the exporter and importer, the original documents of the goods can travel with the means of transport or sent separately.
Roll on Roll off Ships (RoRo)	Buque de carga de vehículos (RoRo)	Ship designed to carry rolling-stock cargo which does not require cranes to be loaded or off-loaded but is driven on and off the ship's decks.
Security page	Hoja de seguridad	Form prepared by the owner of the dangerous cargo that provides useful information about the behavior and general characteristics, and the danger of the product or substance and additional data for emergencies.
Tax on Transfer of Movable Goods and Service Provision	Impuesto de Transferencia de Bienes Corporales Muebles y la Prestación de Servicios (ITBMS)	Tax imposed by the sale, payment in kind, tribute to companies, transfer or any other act, contract or agreement that involves or is intended to transfer title of tangible personal property, new or used, in any way, manner or condition and the provision of professional services.
Transit single declaration	Declaración única de tránsito (DUT)	Form prepared to control merchandise inserted in the TIM form.
Transportation Terminal	Terminal de Transporte	Public facility for loading and unloading passengers and/or cargo.
Unique Record of Vehicle Ownership	Registro Único de Propiedad Vehicular	Document detailing the vehicle's unique number and a description of its owner. Serve as a unique evidence document and must be kept with the vehicle at every time.
Vehicle	Vehículo	Mobile machine that allows transporting people, animals or cargo on land.

Vehicle History of Use	Rodaje	Vehicle's history of use which includes history of routes, origins and destinations, kilometers and similar data
Volumetric weight	Peso*Volumen (cdm)	Reflects the density of the package, ie, the amount of space it occupies in relation to their actual weight. 25000kg = 1000cdm.

GENERAL CHARACTERISTICS OF THE INDUSTRY

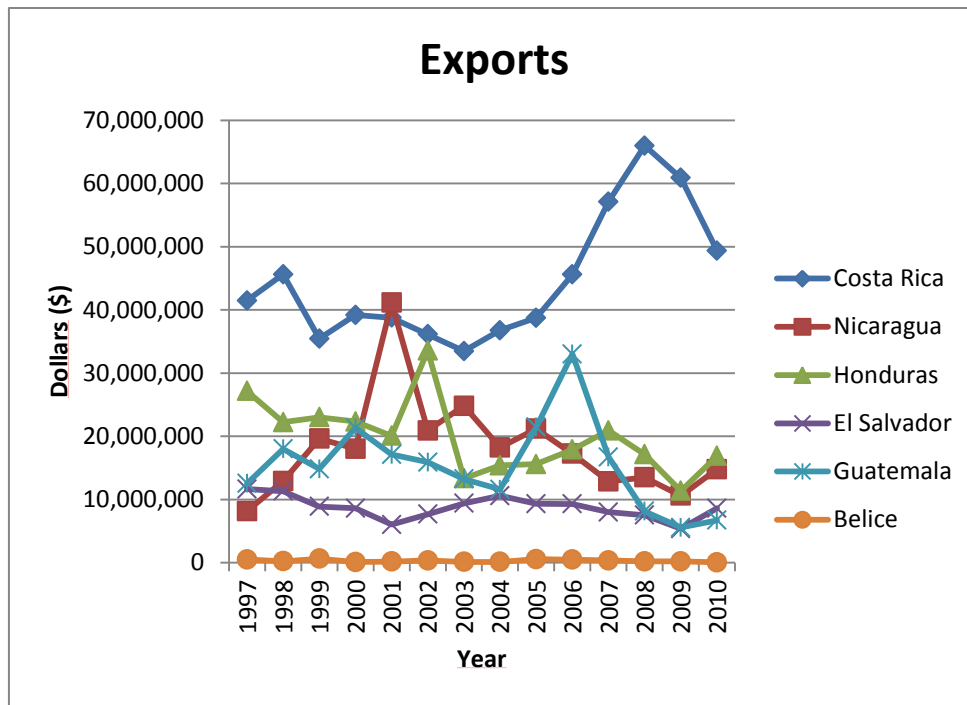
The trucking industry in Panama has been growing in the last few years even though it faces different challenges such as infrastructure capacity constraints, lack of coordination within the country's relevant authorities, and lack of coordination with Central American countries among others. Several infrastructure investments, already mentioned before, like the Panama Canal expansion and new road infrastructure projects are expected to be completed during the next 5 years. This is an important part of the country's strategy to service the growing demand.

The trucking industry in Panama provides 11.5% to the Gross Domestic Product (GDP) of the country (Pérez, 2012). This being said, it is clear that the industry is vital to the country's and world's economy. Among the years the imports from Central American countries have increased causing the Panamanian long haul truckers to evolve with it. Costa Rica represents the major importer and the importer with more percentage increase overall from 1997 to 2010 as it can be seen in Graph 1.



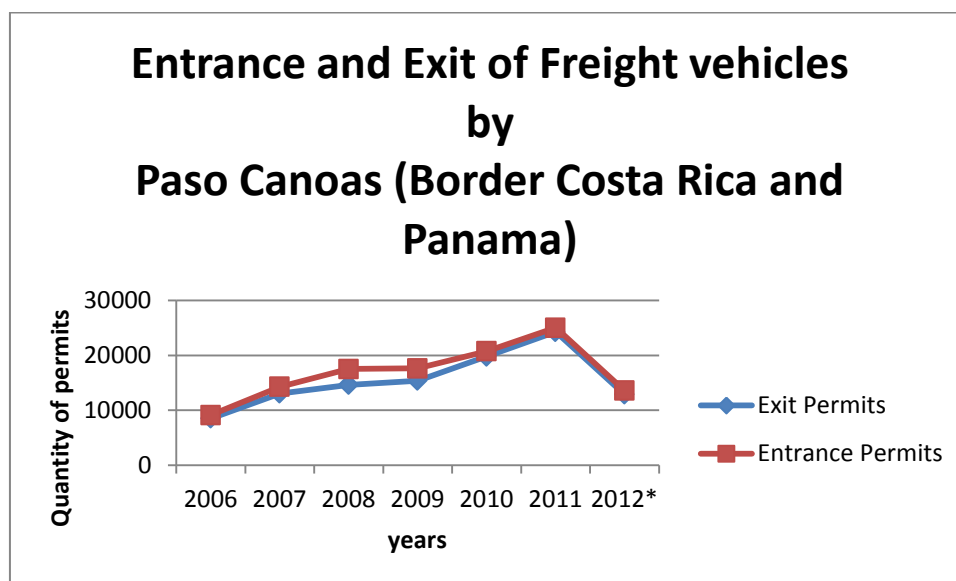
Graph1. PanamanianImports. Source: (Contraloría General de la República de Panamá, 2010)

On the other hand, the graph of exports (not including the re-exports of Colon Free Zone) shows fluctuation due the fact that Panama has been experimenting issues with the Free Trade Agreements (FTA). The FTAs have not had the immediate expected results. This is due to the lack of collaboration and integration among the responsible parties for a smooth flow of goods among the different countries, especially in the borders where in some cases the freight cannot pass through it and it is taken back to the origin in Panama, according to Chavez. See Graph2.



Graph2. PanamanianExports. Source: (Contraloría General de la República de Panamá, 2010)

Error! Reference source not found. from 2006 to 2010 which it's related with the export and import increase. This information was provided by Customs and includes particular and commercial permits. Table 1 shows a month of transit in the Panama – Costa Rica border which backs up that most of the freight leaving Panama is originated from the Colon Free Zone and most of the time goes to Costa Rica

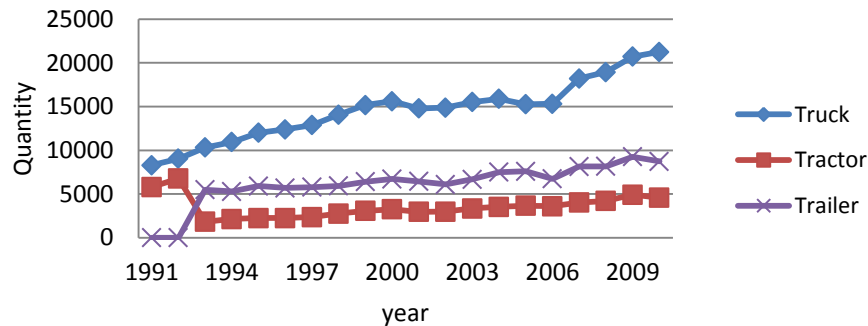


Graph 3. Entrance and Exit of freight vehicles by Paso Canoas: (Autoridad Nacional de Aduanas, 2012)

Trucks Leaving Panama in May 2007						
Destino	Peso (1000 ton)	Valor (millones)	% del Valor	No. de camiones	Camiones con origen en ZLC	
					Camiones	%
Costa Rica	5.67	21.33	67.76	324	249	76.85
Nicaragua	2.35	4.79	15.22	157	141	89.81
Honduras	0.69	2.28	7.24	40	34	85.00
El Salvador	1.00	2.43	7.72	56	45	80.36
Guatemala	0.58	0.65	2.06	31	16	51.61
Total	10.29	31.48	100.00	608	485	79.77

Table 1.Trucks leaving Panama in May 2007. Source: (Autoridad de Tránsito y Transporte Terrestre, 2012)

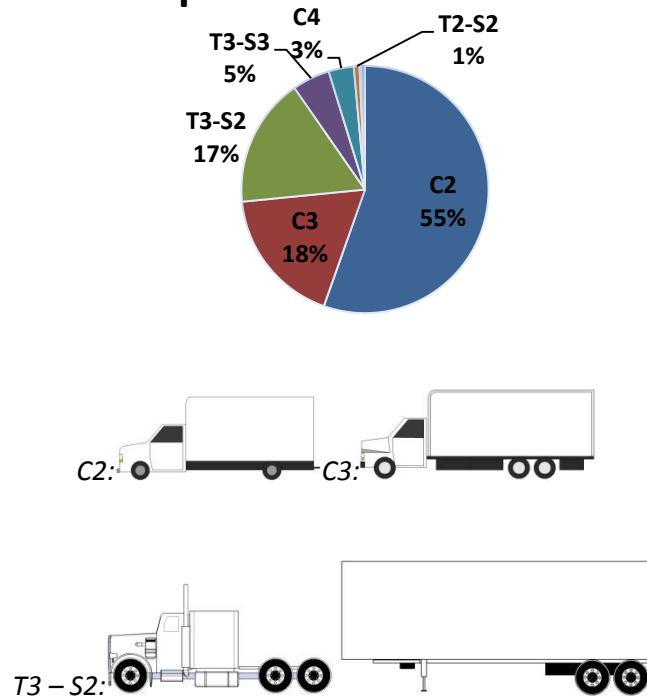
Freight Transportation Vehicles- Republic of Panama (1991-2010)



Graph 4. Freight Transportation Vehicles in Panama. Source: (Contraloría General de la República de Panamá, 2010)

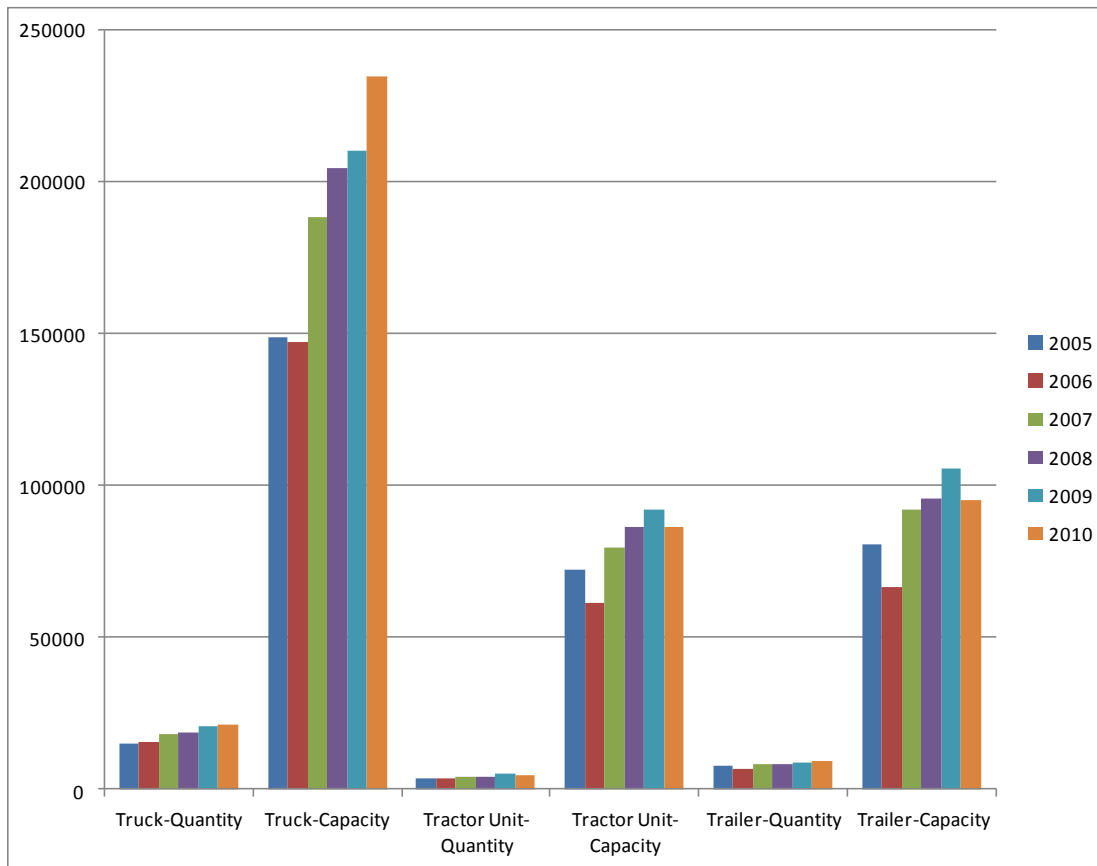
Graph 4 shows the increase in the number of vehicles due to the different factors affecting the national economy. The trucks category includes the ones used in construction. The trailer category includes any type of trailer for local circulation, personal or commercial and international movement of loads.

Freight Vehicles by type of permits in Panama



Graph 5. Freight Vehicles by type of permits in Panama. Source: (Contraloría General de la República de Panamá, 2010)

Most of the vehicles permits registered in Panama are local delivery trucks which are stated in the law as C2, which means a truck of two axles. The following most registered truck is the C3, which represents a truck with three axles. And then with 17% is the T3-S2 which is a tractor unit of three axles joined with a semi-trailer of two axles. Most of the trucks used for long haul within Panama and for international movements are the T3 – S2, in the associations section there is the number of tractor units and trailer of the two biggest long haul trucking associations in Panama which realize the majority of all the international freight movement originated in Panama. See Graph 5.

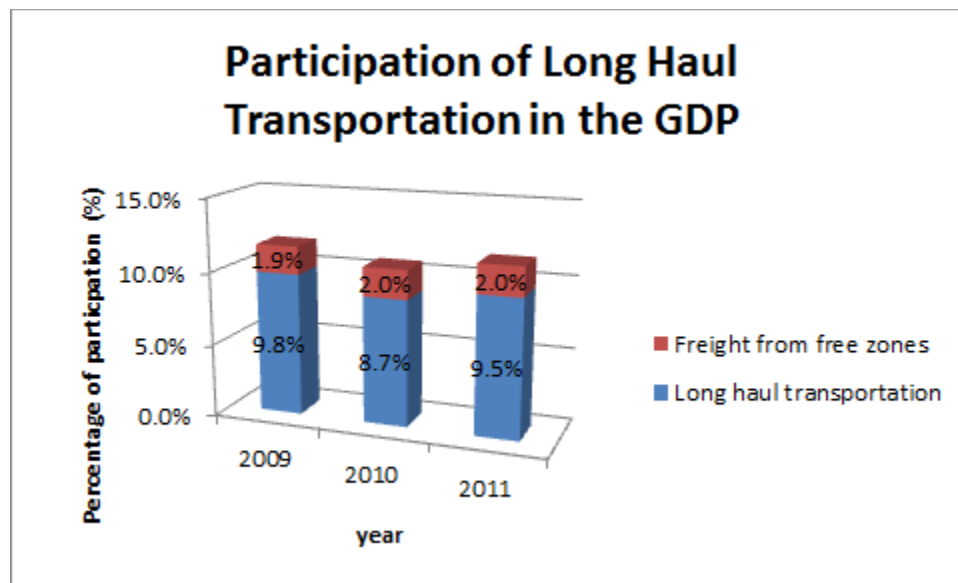


Graph 6.Quantity (units) vs Capacity (short tons) of trucks in Panama. Source: (Contraloría General de la República de Panamá, 2010)

Graph 6 shows the situation of the Quantity vs. Capacity of the three categories that are related with the local and international movement of loads by ground. The most relevant one is the tractor unit quantity of capacity. Tractor unit category is the most important because shows the capacity that the tractor units can move, while the trailer capacity and quantity includes any kind of trailer including trailers for personal use.

The trucking industry is composed of small companies and medium companies. Normally small companies have one or two units and most of the time the trucker is the owner of the unit. On the other hand the amount of units in a medium company is very variable, from 5 to 50 units. It is an irregular and informal industry and not regulated. Panamanians truckers have problems to move freight through Central American countries even though there is Free Trade Agreements.

About **50% of the trucks that leave freight in Central America, according to LA PRENSA**, and return back to Panama empty. This shows low performance in their operations.



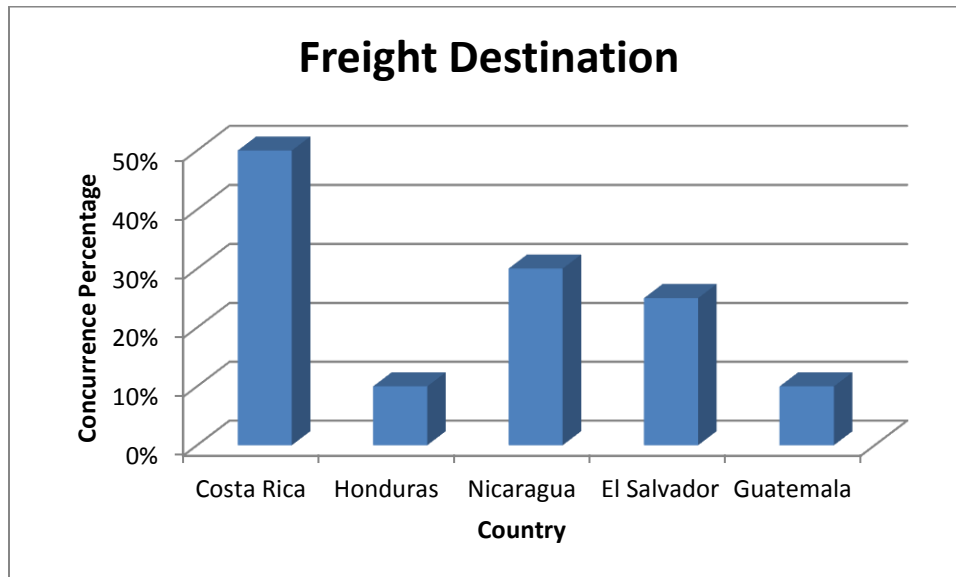
Graph 7. Participation of Long-haul in GDP. Source: (Ministerio de Economía y Finanzas, 2011)

According to the Economic and Finance Ministry, the long haul trucking grew a 18.2% in GDP input in 2011 due to an increase of 38% in the Colon Free Zone commerce (29 billion dollars in 2011 versus the previous year of 21 billions).

Although the system seems to be suitable, there are some issues regarding the long run efficiency of the industry. The main issues mentioned by the interviewees are: overloading the capacity of the truck, the need of “donations” when crossing the borders, and the lack of use of technological tools like GPS and TMS (Transportation Management System) is not common, (Harris, 2008). Although, the companies have been investing in vehicles with cooling system because of **the cold chain program that has been developing in Panama** there will be more demand in that market.

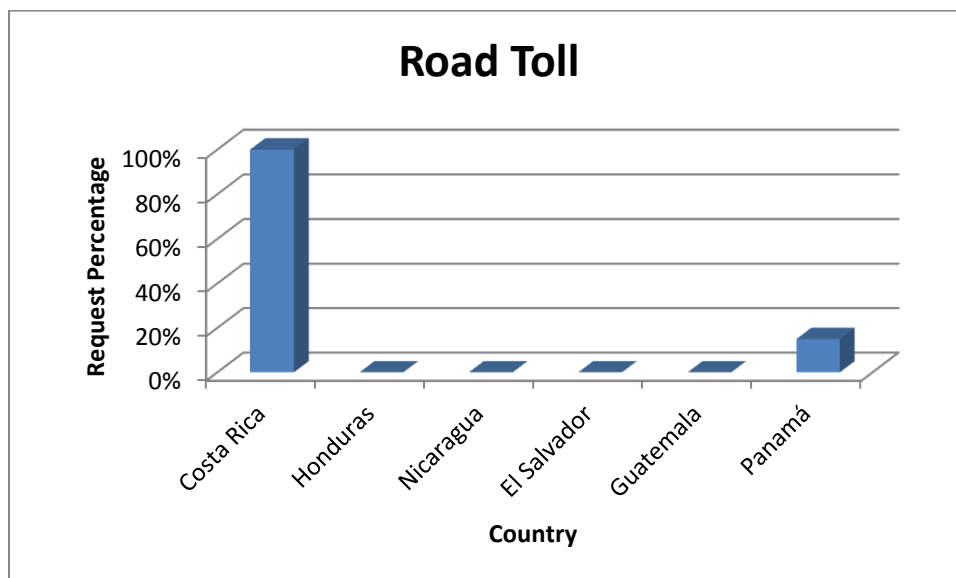
Due to the level of informality is quite difficult to have data to analyze the system. Most of the data collected is from the experience of people working in the industry. Different institutions hold relevant information but still do not show the whole picture of the trucking industry. Some of these associations and entities are: Contraloría Nacional (National Audit), Autoridad de Tránsito y Transporte Terrestre ATTT (Transit and inland transportation Authority), Ministerio de Comercio e Industrias (Ministry of Industry and Commerce), Autoridad Nacional de Aduanas (Customs National Authority), CANATRACA (National Chamber of Cargo Transport), Port Authorities, Free Zones, among others.

Survey



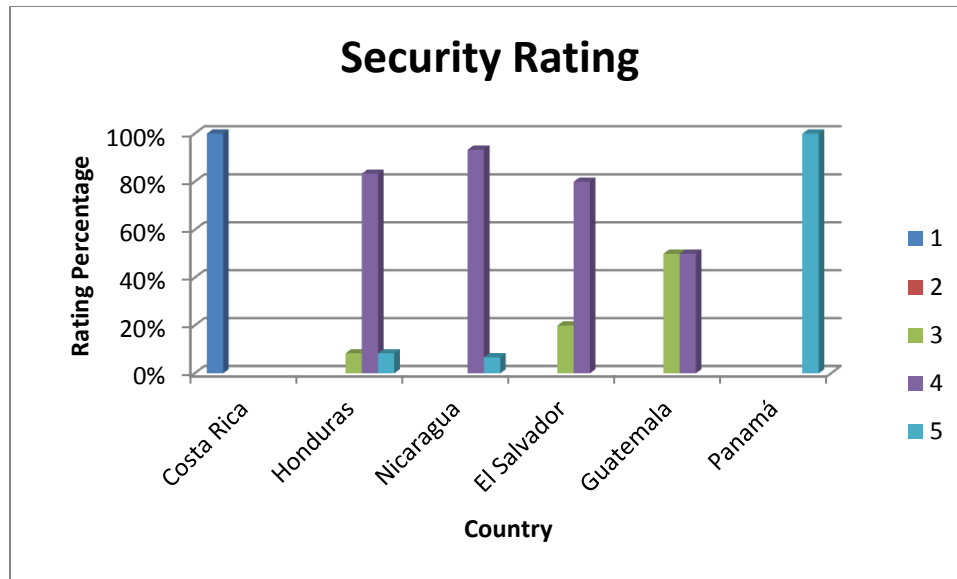
Graph8. FreightDestination. Source: (Velarde, Salazar, Urena, & De la iglesia, 2012)

Based on the respondents, 50% moved to Central America has Costa Rica as a final destination, followed by Nicaragua with 30% of the freight. This condition put a lot of pressure to the trucking companies since it is not profitable to move load to Costa Rica without backhaul freight.



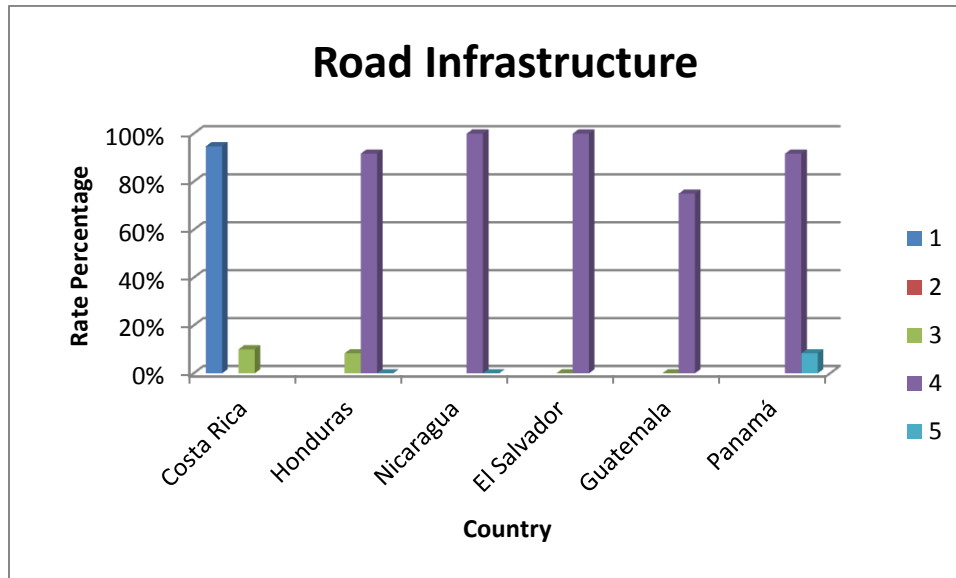
Graph9. Road Toll. Source: (Velarde, Salazar, Urena, & De la iglesia, 2012)

When asked where toll payment is required to use road infrastructure 100% of the respondents selected Costa Rica as the only Central American country that request toll payments, 15% of the respondents said that Panama also have this kind of requirements.



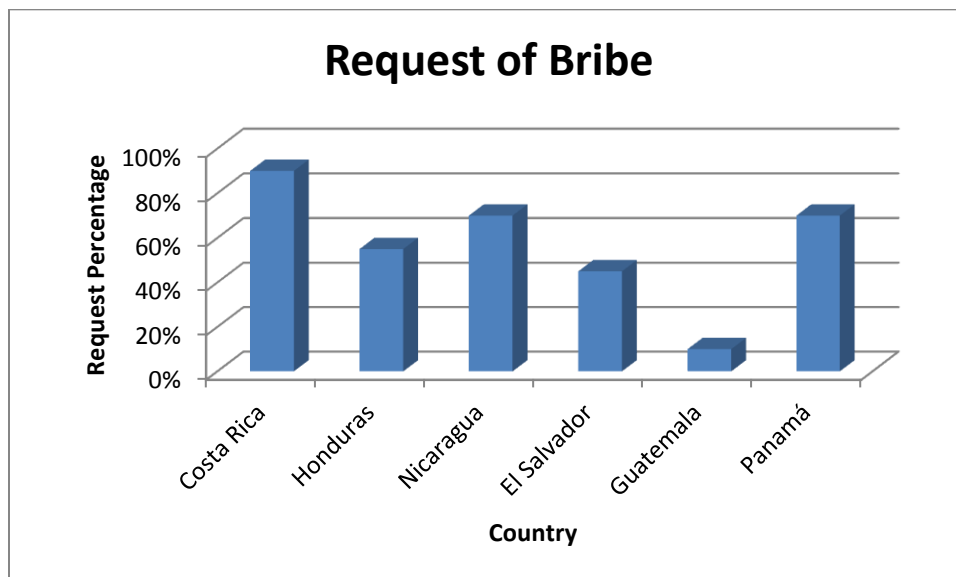
Graph10. Security Rating. Source: (Velarde, Salazar, Urena, & De la iglesia, 2012)

The survey asked the respondents to rate the security level in a scale from 1 to 5 each Central American country. 95% of the respondents declared that Costa Rica have poor security, giving it a rating of 1. Panama was qualified as the most secure of all, where a 100% of the respondents rate it with 5. This is significant for Panama which due to its condition manages a high amount of international commerce. Therefore, it is important to Panama to maintain security levels that stakeholders can trust as this may affect possible investments.



Graph11. Road Infrastructure. Source: (Velarde, Salazar, Urena, & De la iglesia, 2012)

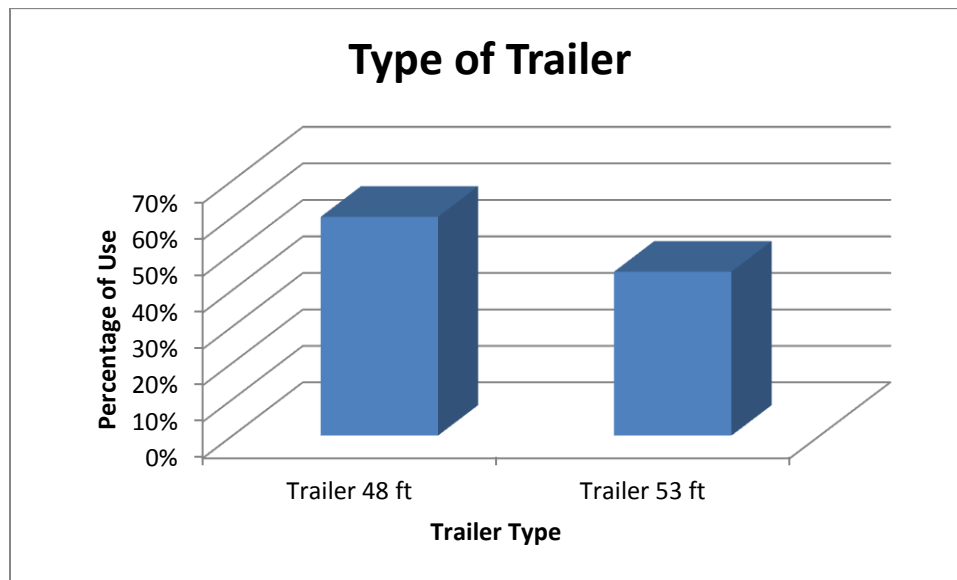
To evaluate the road infrastructure condition the survey asked the respondents to rate it in a scale from 1 to 5, where 1 is deficient and 5 is excellent. As the graph shows, most of the countries had a good rating (4), only Costa Rica was rate by 95% of the respondents as deficient (1). This is relevant in terms of the wear of the truck and should be taken in account when assigning a rate to this destination.



Graph12. Request of bribe. Source: (Velarde, Salazar, Urena, & De la iglesia, 2012)

Corruption is part of the elements encounter when moving freight to Central America. While investigating, trucking associations complained about being request for bribes in different

countries. As the graph shows respondents confirmed that bribes are requested in every Central American country, mostly in Costa Rica, Nicaragua and Panama. This is another aspect to take into account when assigning a rate since is an unexpected expense that affects directly the trucking company.



Graph13. Type of Trailer. Source: (Velarde, Salazar, Urena, & De la iglesia, 2012)

Most of the freight is moved in 48ft trailers. This has proved to be more efficient and profitable to truckers because it allows more space utilization compared to a container but more importantly they can do backhaul cargo. If a trucking company moves a container, it can only carry the shipping line cargo, therefore, after the container is delivered the vehicle have to return empty unless an agreement to move cargo back have being made in advance with the shipping line.

Associations

The biggest trucking associations in Panama manage and support the trucking industry in order to have benefits like lower cost of insurance, clients, discounts, between others. There are four main associations in Panama:

List of trucking Associations	
CANATRACA	Cámara Nacional de Transportistas de Carga
ATRACAPA	Asociación de Transporte de Carga de Panamá
SICACHI	Sindicato de Transporte de Carga de Chiriquí
ATCC	Asociación de Transporte de Carga de Colón

Table 2. List of Trucking Associations.

A brief summary of the fleet of two out of four associations in Panama can be seen in Table 3:

Total of companies	421
Total tractor units	1527
Total trailer (dry)	947
Total trailer (reefer)	86
Total trailer (tank)	98
Total trailer (cattle)	28
Total trailer (grains)	50
Total trailer (sand)	22
Total trailer (flatbeds)	35
Total flatainer	742
Total trailer (low beds)	39

Table 3. Fleet in Associations.

The information provided from these two associations is still too vague. The trucking industry is composed mostly of independent truckers that do not participate in an association.

Among the Central American countries can be considered two huge associations:

Acknowledge Central American Associations	
ATI	Asociación de Transporte Internacionales
FECATRANS	Federación Centroamericana de Transporte

Table 4. Acknowledge Central American Associations.

Road Infrastructure: Projects and Investments

In the present the Public Construction Ministry is improving the national road infrastructure. They have been working mainly in the long haul and urban roads inside Panama. The investment up to date is of USD 4,500 million. Some of the projects that affect directly the long haul trucking are in Table 5:

Public Construction Ministry Projects					
Project	Start date	Time to end	Progress	Investment (USD.)	Details
Rehabilitation of the road David-Boquete, Chiriqui	Sept-10	1140	57%	119, 890,910.00	200,000 beneficiaries due to 37km of improvement
Rehabilitation and Construction of the road Divisa-Chitre, Herrera	Jul-10	950	65%	109,985,098.60	109,055 beneficiaries due to 44km of improvement
Rehabilitation and Construction of the road La Villa-Las Tablas, Los Santos	Ago-10	900	75%	75,666,080.23	89,952 beneficiaries due to 26km of improvement
Rehabilitation and Maintenance of the Americas bridge, Panama	Dec-11	1460	17.20%	80,699,400.00	500,000 beneficiaries
Rehabilitation and Construction of the highway Arraijan-Chorrera, Panama	Sept-10	910	71%	152, 634,285.71	1.4 millions beneficiaries due to 22.3km of improvement

Rehabilitation and Construction of the highway Panama-Colon	Ago-10	780	87%	218, 549,871.55	1.8 millions beneficiaries
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Table 5. Infrastructure projects of the Public Construction Ministry. Source: (Ministerio de Obras Públicas, 2011)

As future plans the government wants to invest approximately 5,000,000,000.00 in projects that are going to help the trucking industry. These projects are the following:

- Enlargement of the road Santiago, Veraguas – David, Chiriqui.
- 4th bridge over the Panama Canal
- Highway Chame – Panama City
- Paving the City Phase I and II.
- Finish the North Highway, Panama City.
- Enlargement of the South Highway, Panama City.
- Connecting road from the Howard Zone to the Centennial bridge.
- Underground parking lots in the city.

Security

Truckers and Trucking companies are extremely worried due to the robberies in different countries of Central America and the lack of security. For example, Managers from different companies belonging to Fecamco (Central American Isthmus Chamber of Commerce), states that annually there is a loss of about 900 million dollars due to the robberies to the freight moved among the region (excluding Panama and Guatemala).

(<http://www.elnuevodiario.com.ni/nacionales/240628>)

Table 6 shows some interesting statistics about the security in Central America. Clearly, Panama denotes a better perception of security comparing to the other countries.

Social Security Indicators for 2011			
Country	Security perception	Murders per 100,000 inhabitants	Robberies per 100,000 inhabitants
Guatemala	35%	58.3	637
Honduras	37%	67.2	246
El Salvador	40%	54.8	126
Nicaragua	40%	12	392
Costa Rica	42%	8.8	545
Panamá	55%	8.8	30

Table 6. Social Security Indicators for 2011. Source: (PNUD, 2011), (Center for international Earth Science Information)

According to the “Latin Business Chronicles”, Panama has a danger level of 3 from 1 to 5, where 1 is less dangerous and 5 is more dangerous. It still one of the best in terms of security among the Central American countries.

Latin Security Index 2009		
Country	Danger Level	Trend
Haiti	5	High/Higher
Venezuela	4	High/Higher
Colombia	4	Stable/Possible Changes
Brazil	4	Stable/Possible Changes
México	4	High/Higher
Bolivia	4	Stable/Possible Changes
Honduras	4	High/Higher
El Salvador	4	High/Higher
Guatemala	4	High/Higher
Nicaragua	3	High/Higher
Paraguay	3	Stable/Possible Changes
Perú	3	Stable/Possible Changes
Ecuador	3	High/Higher
Dom. Rep.	3	Stable/Possible Changes
Argentina	3	Stable/Possible Changes
Panamá	3	Stable/Possible Changes
Uruguay	2	Stable/No Changes
Chile	2	Stable/No Changes
Costa Rica	2	Stable/No Changes

Table 7. Latin Countries Security Index 2009. Source: (Latin business chronicle, 2009)

This type of ranking makes Panama a suitable country to invest (considering all latin American countries) but some government entities should have a better communication in order to minimize the robberies. Manuel Mora, President of CANATRACA, states that in less of four months, 14 units have been robbed in the Panama – Costa Rica border; and has asked the Minister of Security of Panama to promote meetings with his homologous in other countries. (http://www.tvn-2.com/noticias/noticias_detalle.asp?id=79977)

Current Situation of truckers

The income of equipment owner or driver can vary depending of the situation. The Table 8 shows how varies their incomes.

Approximate Personnel Costs			
Situation	Cost (per day)	Additional fee (per day)	Observations
Owner is the Driver	Rate		
Owner pays the driver per trip	50	15	Rate inside Panama
Owner pays the driver a fixed salary	1500		Assuming 3 to 4 trips per week
Owner rents the tractor unit	25% of the rate		If the truck goes to CA countries, it is necessary that the driver has a backhauling in order to earn money
Owner/Driver pays an assistant	15	10	Rate inside Panama

Table 8. Approximate Personnel Cost. Source: (Pascual, 2012)

The Ministry of Labor regulates all the laws regarding to the employees. Trucker's benefits and duties can be summarized in the following table:

Labor Code			
Employees			
Working day		Working Week	Extra salary compensation for Overtime
Day shift	8 hours	48 hours	25%
Night Shift	7 hours	42 hours	50%
Mixed Shift	7.5 hours	45 hours	75%
Prohibition			
Use of alcoholic beverage within the six hours prior shift			
Use of narcotics or hallucinogenic drugs without medical prescription			
Special Obligations			
Treat freight with precaution			

Undergo medical examination periodically
Ensure the proper operation of the vehicle and inform the owner of any damage observed
Make emergency repairs in accordance with his knowledge
Abide transit regulations and technical instructions given by authorities or employer
Abstain from collect unauthorized cargo
Employers
Special Obligations
Pay lodging and food for workers, when trips are extended by causes not imputable to the employee
Repair and ensure the proper operation of the vehicle
Endow vehicles with tools and parts for emergency repairs
Abide transit regulations about operation conditions and vehicle safety
Contract Content
Name, nationality, age, sex, marital status, address, ID number of both parties If the employee is a company, the contract must have the company name, address, legal representative and record of inscription in Public Registry
Name of the employee dependents
Specific services agreed to be executed
Place or places where the services will be executed
Duration and division of work shifts
Salary, way of payment, place of payments and payday
Date and place of contract execution
Signature or fingerprint of both parties

Table 9. Labor Code regulations related to trucking industry. Source: (Organo Legislativo, 1971)

LEGAL ASPECTS

There are many laws and regulations that, directly and indirectly influence the trucking industry in Panama and in Central America. This chapter shows four of the most important and influential legal aspects in which trucking operations, international trade, border crossing, and other activities are regulated.

Even though these regulations exist many violations of these also exist. In every one of the six countries that signed the Free Trade Agreement there is evidence that these regulations are not being followed in many ways. In this chapter these violations will be mentioned and the comparison between what is supposed to happen to what it is actually happening will be made.

The regulations emphasized in this chapter are the most important when it comes to trucking industry. These regulations state the different negotiations that the signatory countries have done in order to help the industry, promote international trading, and strengthen the competitive advantage of Central American markets. The four documents that will be analyzed are: Resolution No. 65-2001, Annex to Resolution No. 65-2001, The Free Trade Agreement (FTA), and the law 10 of January 4th, 2008 which regulates weights and dimensions on trucks. This last one only applies to Panama; the other documents apply to all six signatory countries of the FTA which are: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama.

Finally, to understand these documents it is important to mention that the Resolution No. 65-2001 and its Annex were made in the Protocol of Tegucigalpa which was signed by all 6 countries on December 13th, 1991. Once the FTA was negotiated, this Resolution No. 65-2001 and its annex were adopted by the FTA as the specific regulations for International customs inland transit. This is a good reason to suggest authorities that these regulations may need to be analyzed and updated since it has been more than 20 years since they were signed.

Law and date	Description
Annex to resolution No. 65-2001 March 16, 2001	Regulation on international customs inland transit system, declaration form, and instructions.
Resolution No. 65-2001 March 16, 2001	Regulation on international customs inland transit system, declaration form, and instructions.
6 de marzo de 2002	Free trade agreement Panama – Central America
Ley 10 de 4 de enero de 2008	Modification of free trade agreement Panama-Salvador

Ley 17 de 13 de febrero de 2008	Modification of free trade agreement Panama-Costa Rica
Ley 48 de 15 de julio de 2008	Modification of free trade agreement Panama-Guatemala
Ley 10 de 24 de enero de 1989	Regulates weights and dimensions of trucks
Ley 34 de 28 de Julio de 1999	Creates “La autoridad del tránsito y transporteterrestre” (ATTT) and defines its functions

Table 10. Panamanian Laws regarding trucking industry.

Free Trade Agreement – Panama & Central America

PANAMA	Year	Counterpart/s	Notes
	1970 - 1974	Costa Rica, Nicaragua, Honduras, El Salvador, and Guatemala	Panama made agreements individually with each Central American country. These were very similar to the FTA that exists nowadays but with some exceptions.
	1997	Central American Countries	It was agreed that negotiations needed to be started for an FTA between Panama and Central America.
	1998	Central American Countries	Negotiations started but were suspended in 1999
	2000	Central American Countries	Negotiations were renewed and closed in 2002
	2002	El Salvador	Panamá and El Salvador sign agreement
	2007	Honduras	Panama and Honduras sign agreement
	2007	Costa Rica	Panama and Costa Rica sign agreement
	2009	Nicaragua	Panama and Nicaragua sign agreement

Table 11. Free Trade Agreement History

The free trade agreement (FTA) between Panama and Central American countries is an effort to increase commerce between the region by implementing new regulations and practices in order to create more jobs, help existing markets and create new ones, and increase the overall economies of the countries in the region.

The agreement was made in decision to facilitate regional and hemispheric integration, strengthen traditional ties of friendship and spirit of cooperation existing between their peoples, reach a better balance in their commercial relationships, reinforce competitiveness of local companies in the global markets, and establish clear rules and regulations to promote and protect investments.

The free trade agreement between Panama and Central American countries has a long history of negotiations and meetings between all the parts (Table 11). In the 1970's Panama had individual trade agreements with each of the countries. In the 1990's negotiations started, in vain because nothing was accomplished for an FTA between Panama and the Central American countries as a whole. It wasn't until the early 2000's that new agreements were signed by all Central American countries to facilitate the creation of the present FTA.

The FTA is composed of a preamble and 22 chapters. Additionally there are independent agreements between Panama and each of the specific countries. Followed is an explanation of the most important chapters of the FTA which will help understand how this agreement functions and what is being followed and what is not.

For a start, it is worth mentioning that the FTA is "somewhat" clear on the rules and regulations there is for a free trade within Central America. It is "somewhat" clear because the format of the literature is rather complex to read and analyze. For a lawyer or any other person used to read contracts, the FTA could be easy to read. However, for a person that uncommonly reads contracts or legal agreements analyzing the FTA may be hard to do since the vocabulary of the agreement is very complex as well as the wording of the document. The information exists in a legal contract format. It states rules on how is trade supposed to work between all the parts and regulations mostly about tax cuts and documentation.

In a "trucking industry" point of view, the FTA is extremely important for many reasons. The different regulations and standards that the FTA states are some of the many tools to enhance good practices of international trade in the region. Also, tax cuts and subsidies are a great way of helping the different markets to be strong and constant. The idea of having free trade zones also helps the industry in many ways. In conclusion, the FTA helps the trucking industry to be successful and to have a constant improvement. Trucking businesses and commerce in the region depend on the FTA in order to have smooth processes and to satisfy the client's demand in every country.

Out of the 22 chapters of the FTA there are seven specific chapters that influence the trucking industry (Table 12). Even though the FTA does not talk deeply about the trucking industry and how it is supposed to operate there are different aspects in which the industry depends on. The eight chapters are: General dispositions, national treatment and goods' access to the markets,

rules of origin, customs procedures, disloyal trading practices, border trade services, and telecommunications.

Free Trade Agreement relation with trucking industry

Chapters	Focal Points	Info	Relation to trucking industry
GENERAL DISPOSITIONS	<ul style="list-style-type: none"> • Free trade zones establishment • Objectives 	All parties establish the objectives of the FTA and the bases for creating and implementing a free trade zone based in the World Trade Organization's "General Agreement on Tariffs and Trade (GATT)."	Free trade zones are a great way of helping the trucking industry since these are zones that are supposed to simplify processes and speed up trading. However, some free trade zones in the region, such as borders, are somewhat time consuming to cross. New investments and technology are being introduced (Ex. Panama-Costa Rica border) to help make these zones more efficient.
NATIONAL TREATMENT & GOODS' ACCESS TO MARKET	<ul style="list-style-type: none"> • Each party grants same treatment of goods to all the other parties • Total elimination of custom tariffs for goods originating from the importing country 	The chapter explains the different treatment of goods based on the type of product that is being traded. Products are categorized in groups such as agricultural, sporting goods, printed advertising material, marine products, and others.	Clarifying and specifying the treatment of products helps the trading processes by making them more efficient. If there is an easy access of goods to the different markets the industry benefits from it since it may reduce transportation time and costs as well as help keep the quality of product and reduce lead times.
RULES OF ORIGIN	<ul style="list-style-type: none"> • Tax cut application instruments • Transfer of goods and direct expedition or international transit • Originating merchandise 	Basing the value of goods on the incoterms CIF and FOB, some products are qualified as "originating goods" meaning that since they originate from one of the parties, this kind of product gets different tax deductions and treatments.	During the transportation process goods can lose their qualification as "originating goods." For example, if a load is not closely checked by custom agencies then it can lose the privileges of an "originating load" and be treated like any other product. Even though tax payments are not counted as transportation costs, if a tax is cut this it helps to maintain a more profitable business.

CUSTOMS' PROCEDURES	<ul style="list-style-type: none"> • Certification of origin and declaration of origin • Tax cut requirements for imports and/or exports • Procedures to verify origin of load • Early resolution • Cooperation 	<p>There are certain obligations in order to trade goods in the region. Requirements such as declaration and certification of origin as well as other documents and measurements are needed. However, thanks to the standardization of documents the process can be somewhat efficient even though each custom office operates different than the others.</p>	<p>Customs' procedures are extremely important for having smooth processes. These procedures need to be very clear and constantly updated. In the present the documentation needed is mostly standardized. However, the processes between the different parties and their borders are different to certain extent.</p>
DISLOYAL TRADING PRACTICES	<ul style="list-style-type: none"> • Application • Investigation • Antidumping 	<p>Each party is entitled to go through the pertinent investigations in any case there is a suspicion of disloyal trading practices. Practices such as antidumping are talked about. However, this chapter needs to take into consideration other practices such as smuggling and be a little more specific on how these situations are managed.</p>	<p>Disloyal trading practices may slow down the transportation process in many ways. In some countries there are random checks in order for authorities to have a better control of what is being traded. One of these countries is Nicaragua where there are random narcotic checks. More than for security reasons these checks are realized mostly for police "donations." Usually the seal of the containers is cut in this situation.</p>
BORDER TRADE SERVICES	<ul style="list-style-type: none"> • International inland cargo transportation • General Facts 	<p>This is the only chapter of the FTA that actually talks about inland cargo transportation and establishes a mechanism to maintain a non discriminatory treatment for international inland cargo transportation. Also, freedom of transit is mentioned for all parties. Finally, it is stated that no payments for services, not mentioned in the agreement, are allowed. This is not the case.</p>	<p>For the trucking industry the border trade services are extremely important since it influences everything from lead time to quality of product and customer satisfaction. It is vital for international trading to have good, efficient, and fast border trade services. This is a great way of adding value to the product by offering quality services in order to preserve quality, decrease lead times, and have no losses during the transportation process.</p>
TELECOMUNICATIONS	<ul style="list-style-type: none"> • Does not apply between Panama and Costa Rica 	<p>This chapter does not apply to Panama and Costa Rica. It states the options that the other parts have to be able to have telecommunication</p>	<p>Having the availability of good telecommunications systems is critical to have a clear communication within a</p>

	• General Facts	within companies.	company. Part of having and efficient and optimal transportation service is having good communication within your supply chain.
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Table 12. Free Trade Agreement relation with trucking industry. Source: (Central American countries and Panama, 2002)

The FTA shows some general dispositions in which all the countries agree on creating a free trade zone and where some objectives of the FTA are mentioned. Within the objectives we can find the creation of a free trade zone throughout the region, the stimulation of the expansion and diversification of commerce of goods and services, the promotion of loyal competition within the free trade zones, the elimination of barriers for commerce, and the creation of efficient procedures for the practice of this treaty. The general dispositions are followed by general definitions of the vocabulary that must be used between the parties. The clarification of definitions is important so that the communication of negotiations between all parties is clear and so that the same vocabulary is used for documentation and trade movements.

The FTA states the different rules there is for the introduction of different goods to the market. For example, the introduction of promotional documents such as brochures and commercial catalogs is allowed in order to fairly promote the marketing of new goods to the market. Also, agricultural goods, sporting goods, spare parts, promotional goods, consumable goods, and others are mentioned where different subsidies and reduction of trade taxes are applied in order to have successful introduction of goods in the different markets of Central America. Within these tax cuts and subsidies we can find that import and export taxes are reduced and sometimes exempt, different tariffs at the borders and trade zones are also reduced, and other transportation and trade costs are reduced. All tax cuts and subsidies depend on the type of product that is being traded. Each product has its different treatments. The documentation of trade is also simplified and standardized in order to speed up and optimize transactions of trading between the parties.

The rules of origin of the FTA are based on the two incoterms, Free On Board (FOB) and Cost, Insurance, and Freight (CIF.) Based on these, the procedures of customs are created where the documents of declaration of origin and certification of origin play an important role. These documents are in a unique format for all parties and they both last for one year from the date they are signed. These documents are the first step for trading goods between the different parties.

Each party is required to present tariff treatments for any imports made into their territory. These tariff treatments are different cuts that are made depending on the product that is being moved. The tariff treatments have to be requested by the importer only if the right documents are shown; such as the declaration and certification of origin, and the different import documents are presented. If the tariff treatments are not asked for by the importer these will not be applied to its load. However, the importer can ask for devolution of the tariffs within the year of validity of the declaration of origin.

Protective measures, as well as sanitary and phytosanitary measures are mentioned. These measurements state regulations that each party has to follow in order to complete their different transactions. These include measurements such as fumigation, product and transportation checks, and other product treatments before exporting or importing in order to avoid any sanitary situations that are not desired. These treatments are based on the goods that are being transported. Usually the most common goods in which these measurements are required are consumable goods, chemical goods, and other goods which can present sanitary problems for the community.

There are exceptions in the custom duties among the different countries. This is because the economies have different characteristics and there is the need to create a smooth transition to protect the individual markets in each country. There is a list of products that are divided into different categories. The different categories have different custom duties that will be decreasing throughout the year.

Even though the FTA between Panama and Central America states the necessary regulations, best practices, and tariffs that may be applied, many discrepancies happen in every country. It is said that this happens mostly towards Panamanian trucking companies. For example, free trade is not being practice in the borders since there are many irregularities on the different treatments of products going from one country to another. Also, ground transportation should be treated the same in every country but this is not true in the real situation since many different “regulations”, that are not stated in the FTA, exist in every country. These “regulations” have been created by local authorities in a very informal and sometimes illegal way. Finally, another example is that some countries such as Guatemala, El Salvador, and Honduras do not offer fumigation and other required measures in their borders which are absolutely required by the FTA.**(Error! Reference source not found.**

The treaty states that it will be managed by a permanent mixed commission integrated by the ministers of commerce and industries or their representatives, and the public and private sector assessors. However, authorities from all the parts seem to be not taking good care and follow up of the treaty since so many violations of the FTA exists. In order to fix the large amount of problems that exist among the Central American trade, the necessary authorities from each country need to take action, have a constant update of the FTA, analyze and improve all the trading processes in each country, regulate trading actions, and give the necessary sanctions for the different discrepancies and violations towards the FTA.

Regulation on international customs inland transit system, declaration form, and instructions

The Annex for Resolution No. 65-2001 is the list of the actual regulations for the trucking industry within Central America and Panama. This set of regulations, also called the regulations on international customs inland transit system, it's backed up by the Free Trade Agreement but these were actually made for the Protocol of Tegucigalpa. This happens in other chapters of the FTA where they adopt other regulations that have already been made before.

The regulations on international customs inland transit system are very clear but at the same time very general. The regulations as a whole are based on 2 important points of the Resolution No. 65-2001 which are:

1. Full freedom of transit through their territories to all means of inland freight cargo, means of transport coming or going to any of the member states;
Freedom of transit implies:
 - i. Ensuring free competition in the contracting of inland freight transport subject to country of origin or destination;
 - ii. National treatment to the transport of all states in the territory of any of them, with the origin and destinations identified in item a).
2. The freight service is subject to the payment of taxes normally applicable to nationals of any of the signatories on the provisions of service, which in no case constitute charges or import taxes.

The regulations in mention are “intended to facilitate, harmonize, and simplify procedures in the international customs transit operations carried out by land.” This is done; however, it seems that these regulations only focus on documentation processes, customs seals, customs processes, and some general regulations. For example, the biggest problems right now within the trading operations in Central America is that not the same documentation is being used, different charges are being made, permits are established violating the right to have freedom of transit, and free zones are being created and/or closed in order to “defend” national markets. These are a few examples of the topics these regulations are missing. These regulations need to be analyzed and modified in order for them to work. In the present it seems they do not exist since each of the six signatory countries is making their own rules.

The suggestion of modifying the Annex for Resolution No. 65-2001 has been done many times. For example, CANATRACA, which is one of the main trucking associations in Panama, has asked for the modification of these regulations many times. They have contact the office of the Director of Customs in several occasions since 2011 and nothing has been accomplished. Another good suggestion made from CANTRACA was the idea of making inter-departmental meetings within Panama with the relevant institutions in charge of the inland freight transit. This seems to be a

good idea; however, it seems a better idea to actually have one government authority that is in charge of all inland modes of transportation in Panama. It will never be in order or work if so many institutions have something to do with the inland freight. For CANATRACA's idea of solving all problems relevant to the regulations in mention, the institutions that would have to attend these meetings are: Ministry of commerce and industries, CFZ, customs authority, ATTT, office of migration, ministry of health, Ministry of agricultural development, ministry of exterior relationships, ministry of public works, the police force and more.

In the Annex for the Resolution No. 65-2001 much emphasis is made to the documentation and procedures in the different customs. The document that is most referred to in these regulations is the document of "Declaration". The regulations are very specific on this issue. And in the real life they are followed. However, in these regulations almost everything flows around this "Declaration" document. For example, in the Chapters IV, VI, and VII which are the procedures in the customs office of departure, procedures during transit, and procedures in customs office of destination, they all make reference to the procedures with the "Declaration" document but they do not talk about other measurements which should be taken based on the product being transported.

Situation	Situation	Law
Costa Rica	El Salvador	
<p>Since September 12, 2007 the director of the Customs Authority in Costa Rica approved Resolution N° DGA-096-2008 which prohibits Panamanian carriers to pick up cargo in tax areas and/or bonds. . Costa Rica has declared different places as tax areas and/or bonds. For example, there are claims saying that Costarican factories that are selling iron to the Panamanian government for projects such as the Panama Canal expansion and the Panama City Metro, are beeing turned into tax areas. These claims also state that these are ilegal trading practices since this affects the</p>	<p>The Salvadorian government have threaten Panamanian authorities that Panamanian carriers will not be able to pick up cargo in El Salvador. They will implement this with public force if it is necessary.</p>	<p>Full freedom of transit to all means of inland freight cargo FTA (Chapter 11 – Border Trade Services)</p> <p>Resolution No. 65-2001</p> <p>Each party offers the same treatment of goods to all other parties.</p> <p>FTA (Chapter 3 - National Treatment & Goods Access to Markets)</p>

Panamanian trucking long haul sector, especially their backhauling since they are not able to pick up cargo in places like the factory mentioned above on their way back.		
	There exist a municipal tax for Panamanian carriers in the border of El Salvador and Guatemala. This tax is ilegal since it is not applied for the signatory countries of the FTA.	<p>Goods transported in an international customs inland transit operation will be admitted in the customs' territory of each of the signatory countries and will not be subject to payment of applicable duties and taxes, provided that all the legal formalities of this regulation are met.</p> <p>·International customs inland transit system, declaration form, and instructions. (Annex- Resolution No. 65-2001; Chapter II - Aplicacion)</p>
Panamanian carriers are being charged from \$7.00 to \$10.00 every time they transit in Costarican territory for the confection of the DUA which is basically a Costarican single administrative document. However, this document is not required by the FTA so it is really not necessary for the carriers from the FTA's signatory countries.		<p>For the authorization of the "Declaration" the following documents need to be presented:</p> <ol style="list-style-type: none"> 1. In case of free regional trade = Customs form; 2. In case of export = Export's declaration, commercial invoice, waybill, and load manifest; 3. In case of overseas imports = Copy of Bill of Lading, commercial invoice, and load manifest; and, 4. In case of goods coming from the Colon Free Zone (CFZ) = Exit declaration of goods from the CFZ endorsed by customs and by the commercial department of the CFZ. <p>·International customs inland transit system, "Declaration" form, and instructions. (Annex-</p>

		Resolution No. 65-2001)
Triangulation of cargo from Colon Free Zone. Costarican carriers will triangulate cargo originating from CFZ and pick it up in a tax area where they are authorized to pick up cargo. The admission to Costarican carriers has been denied to the CFZ. This is in response to the prohibition of Panamanian carriers to pick up cargo in Costarican territory.		Even though there is no law that regulates this triangulation of cargo specifically, it is still considered as an illegal practice. However, Panama is also breaking the FTA by not allowing Costarican carriers access into the CFZ. This seems to be a way of defending the market. But, it seems to all turn into a vicious circle and this is where laws are mostly violated.
	No Fumigation service is offered in their borders.	Establish, adopt, and maintain sanitary measures in order to protect the human life. Fumigation is highly asked for in the agreement on the application of sanitary and phytosanitary measures. The FTA based its sanitary and phytosanitary measures based on this agreement. FTA (Chapter 8 – Sanitary & Phytosanitary measures)
Situation	Situation	Law
Guatemala	Honduras	
Panamanian carriers are allowed to enter tax areas, free zones, and/or bonds in Guatemala. However, in each one of these places an extremely expensive deposit, \$500 to be exact, of warranty is asked for and most of the times it is not returned to the carriers. They do not accept the billing accuracy (In Panamanian	Free transit in Honduras is very rare since there is a big number of police road blocks once the country is entered. Claims say there is from 7 to 9 road blocks, going both ways, in which the police force will stop to "check" the documentation and in almost all road blocks the driver needs to pay a "donation" of	Full freedom of transit to all means of inland freight cargo ·FTA (Chapter 11 – Border Trade Services) ·Resolution No. 65-2001 Each party offers the same treatment of goods to all other parties. ·FTA (Chapter 3 - National Treatment & Goods Access to Markets)

invoices) so the Panamanian carrier is made to wait for documentation and pay in order to keep its transit.	\$2.00 to \$5.00 on each road block. Picking cargo in export processing areas is not allowed for Panamanian carriers. They do not accept the billing accuracy (In Panamanian invoices) so the Panamanian carrier is made to wait for documentation and pay in order to keep its transit.	Goods transported in an international customs inland transit operation will be admitted in the customs’ territory of each of the signatory countries and will not be subject to payment of applicable duties and taxes, provided that all the legal formalities of this regulation are met. ·International customs inland transit system, declaration form, and instructions. (Annex-Resolution No. 65-2001; Chapter II - Application)
No Fumigation service is offered in their borders.	No Fumigation service is offered in their borders.	Establish, adopt, and maintain sanitary measures in order to protect the human life. Fumigation is highly asked for in the agreement on the application of sanitary and phitosanitary measures. The FTA based its sanitary and phitosanitary measures based on this agreement. ·FTA (Chapter 8 – Sanitary &Phitosanitary measures)
Situation		Law
Nicaragua		
In December 2011, the "narcotic" revision of Panamanian carriers was 100%. In this "narcotic" revision the customs seal is cut which, as off the FTA, this is an ilegal practice since once the seal is closed by the customs office this seal cannot be opened or cut until the next customs office or the consignee cuts the seal. These revisions cost \$15.00 per revision and there is usually one coming from Panama and one coming from Guatemala.		Full freedom of transit to all means of inland freight cargo ·FTA (Chapter 11 – Border Trade Services) ·Resolution No. 65-2001 Each party offers the same treatment of goods to all other parties. ·FTA (Chapter 3 - National Treatment & Goods Access to Markets)

<p>Panamanian authorities started regulating Nicaraguan carriers since these started doing illegal practices in Panama such as internal transportation services in Panama and also internal cabotage in Panama. As retaliation for these regulations to Nicaraguan carriers in Panama, Panamanian carriers are now prohibited to pick up cargo in Nicaragua.</p>	<p>Goods transported in an international customs inland transit operation will be admitted in the customs' territory of each of the signatory countries and will not be subject to payment of applicable duties and taxes, provided that all the legal formalities of this regulation are met.</p> <p>·International customs inland transit system, declaration form, and instructions. (Annex-Resolution No. 65-2001; Chapter II - Application)</p>
	<p>That the seal and unit of transportation do not show signs of being violated or manipulated.</p> <p>·International customs inland transit system, "Declaration" form, and instructions(Annex-Resolution No. 65-2001; Chapter VII - Procedures at customs office of destination)</p>

Table 13.Law versus Actual Situation. Source: (Chavez, 2012)

Regulation of weights and dimensions of trucks - Ley 10 de 24 de enero de 1989

This document regulates weights and dimension of trucks moving loads in public ways. The document establishes 8 weights and dimensions stations to verify that the trucks are in compliance with the law.

Main regulations the law points out:

- Every vehicle that uses 6 wheels or more wheels, or special characteristics of dimensions or weight should carry the *"Weight and dimensions"* permit.
- The *"Weight and dimensions"* permit is issued by the Ministry of Public Works (Ministerio de ObrasPublicas). The permit should always be in the truck.
- It is not allowed that the load surpasses more than a meter lengthwise behind or in front the vehicle. The load should have red flags at its extremes when surpasses the vehicle dimensions.
- Special permits will be defined by the Ministry of Public Works (Ministerio de ObrasPublicas). And follow other certain constraints. These special permits are related to oversized and over weighted freight.

- Vehicles from Central America entering the country should also stick to this law.


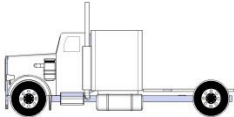

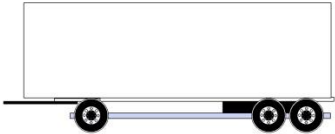




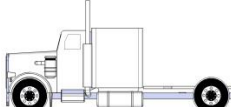
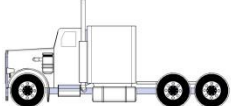


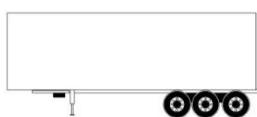
Vehicle type	Name		Definition	Schematic Configuration
	English	Spanish		
C	Truck	Camión	Motor vehicle designed to carry cargo, whose cab is integrated with the cargo's vessel.	
		Jargon: Camión		
T	Tractor Unit	Cabecal	Motor vehicle designed to tow semi-trailers, trailers, devices or implements.	
		Jargon: Mula		
S	Semi-trailer	Semiremolque	Device used to transport cargo. It is mobilized by a vehicle on which it rests part of its weight and load.	
		Jargon: Furgón		
R	Trailer	Remolque	Device without own propulsion used to carry people or cargo that can be moved by a vehicle using a bar or plug without transmitting its weight.	
		Jargon: Furgón		

Table 14. Transit and Ground Transportation vehicle classification. Source: (Autoridad de Tránsito y Transporte Terrestre, 2006)

- Table 15 shows the maximum lengths and weights allowed to transit around Panama:

Classification C		Truck						
Nomen- clature	Axles	Max. Length	Max. Height	Max. Width	Max. Weight (ton/axle type)		Vehicle Configuration	Lice- nse Type
C-2	2	11.00m	4.15m	2.50m	10.0	Single axle		F
C-3	3	12.00m	4.15m	2.50m	10.0	Single axle		F
					16.4	Tandem axle		
C-4	4	12.00m	4.15m	2.50m	10.0	Single axle		F
					16.4	Tandem axle		
					22.0	Triple axle		
Classification T & S		Tractor Unit and Semitrailer						
Nomen- clature	Axles	Max. Length	Max. Height	Max. Width	Max. Weight(ton)		Vehicle Configuration	Lice nse Type
T-2	2	16.70m	4.15m	2.50m	10.0	Single axle		F
T-3	3	16.70m	4.15m	2.50m	10.0	Single axle		F
					16.4	Tande m axle		
S-1	1	20.00m	4.15m	2.50m	10.0	Single axle		G
S-2	2	20.00m	4.15m	2.50m	10.0	Single axle		G
					16.4	Tande m axle		
S-3	3	20.00m	4.15m	2.50m	10.0	Single axle		G
					22.0	Triple axle		

Classification R		Trailer						
Nomen- clature	Axles	Max. Length	Max. Height	Max. Width	Max. Weight-ton		Vehicle Configuration	Lice nse Type
R-2	2	20.00m	4.15m	2.50m	8.00	Single axle		G
					14.5	Tande m axle		
R-3	3	20.00m	4.15m	2.50m	8.00	Single axle		G
					14.5	Tande m axle		

Table 15. Allowable length, height, width and weight according to the vehicle classification. Source: (Autoridad de Tránsito y Transporte Terrestre, 1989)

The weights and dimensions stations main function is to make sure that the law is being followed. The truck drivers have to show their driver license, truck permit, and then the truck is weighted. The weights and dimensions stations locations are shown in Figure 1:



Figure 1. Weight and Dimensions stations in Panama.

1. Paso Canoas, Chiriquí
2. Gualaca, Chiriquí
3. El Embalsadero, Veraguas
4. El Roble, Coclé
5. El Espinal, Los Santos

6. Pacora, Panamá
7. Chepo, Panamá
8. Agua fría, Darién

Weight stations 1, 2 and 4 are the ones that register the trucks leaving from Panama City going to the rest of Central America.

It's noticeable that there is not weight stations situated between Panama and Colon. All of the stations are situated along the Pan-American Highway.

Restrictions

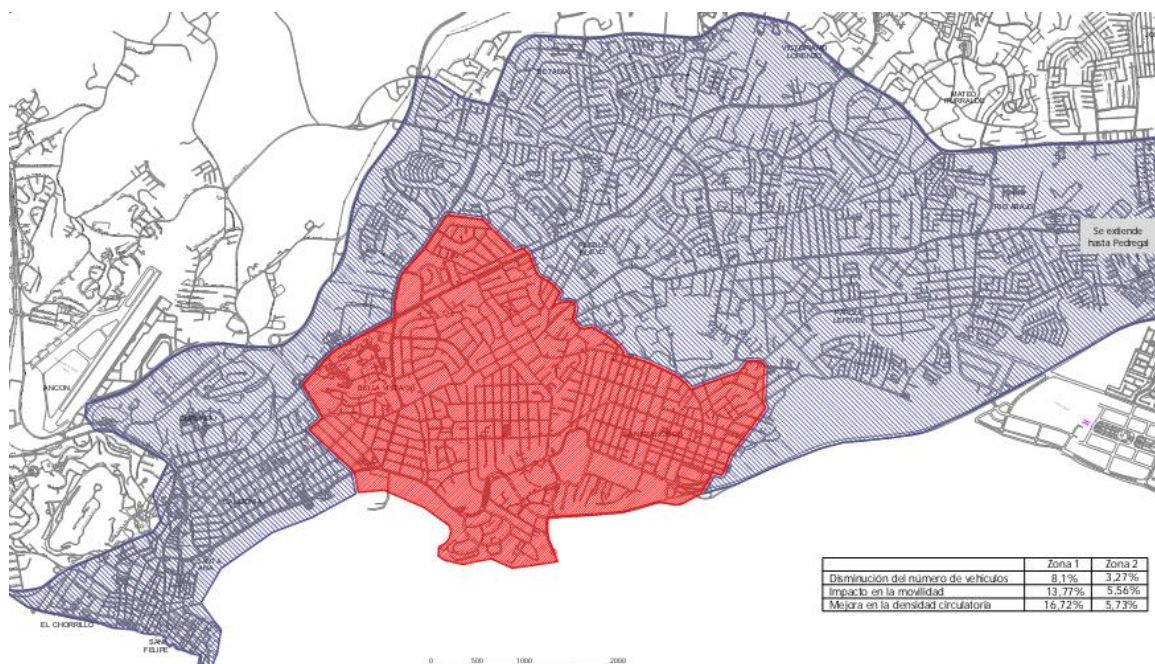


Figure 2. Boundaries for loads movements within Panama City.

Some constraints were found within Panama City regarding the movements of loads. Only the centennial bridge can be used because the other access to the West part of the country, which is the America's bridge cannot be longer be used by trucks due to structural aging. Also the city now has some regulations regarding the time when certain trucks can circulate within the city. Trucks with loads bigger than 3.5 tons are only allowed to circulate within the blue and red zone from 9:00 p.m. to 6:00 a.m. This law has affected some businesses by making them change their distribution tactics. And haven't had the expected results according to the Operations Director of the National Police, Jorge Miranda.

Bonds

There are 474 bonds in Panama where the freight not nationalized can be store. The freight can be transfer from bond to bond if it has not been nationalized. Customs divides all the bonds per zone in order to manage and report in a better way. The following tables show the quantity of bonds per zone.

N°	Zone	Location	Qty
01	North-East	Bocas del Toro	18
02	ZonaAeroportuaria	Tocumen	176
03	North	Colon	53
04	West	Chiriqui	23
05	Central	Azuero	9
06	South-East	Darien	1
07	Economic Area - Panama Pacifico	Panama Pacifico	1
08	East	Panama	193
Total in Panama			474

Table16. Bonds withinPanama.

Speed limits

Panamerican Highway is the highway that connects central and North American from Canada to Panama, where it ends due to the Darien jungle. From a higher view everything brought to Colon should move to Panama City and then to can be moved to the rest of Central America. Table 17 shows the Panamanian speed limits.

Roads in the country side	Speed Limit
Pan-American Highway through towns	60 km/hr
Pan-American Highway between towns	80 – 100 km/hr
Centennial Road (Panama City – Arraijan)	100 km/hr
Americas Bridge (Panama City – Arraijan)	80 km/hr
Ave. in Panama City	Speed Limit
España	60 km/hr
Jose A. Arango	60 km/hr
Brasil	60 km/hr
Porras	60 km/hr

Cincuentenario	60 km/hr
Transísmica (San Miguelito – Colón)	80 km/hr
SimonBolivar (Martín Sosa – San Miguelito)	60 km/hr
Domingo Díaz	80 km/hr
Ricardo J. Alfaro	60 km/hr
Los Mártires	60 km/hr
Balboa	60 km/hr
José MaríaTorrijos	60 km/hr
AscanioVillaláz	60 km/hr
AscanioArosemena	60 km/hr
Colon – Centennial Bridge (Subject to tolls)	90 km/hr

Table 17. Main Roads and Highways speed limits in Panama. Source: (Autoridad de Tránsito y Transporte Terrestre, 2012)

PROCESS OF MOVING LOADS

Importing a Truck

Table 18 shows how trucks are imported to Panama and the approximate cost to fulfill that process.

Tractor Units, Trailers and Semitrailers Imports		
1. Transportation from Origin		
Method	Cost	
Documentation for Export	\$150.00	
RoRo	Rate	Approximate Total Cost from Miami
	\$60 to \$75 per m ³ or cdm. The billable rate will be the highest between using m ³ or cdm.	\$2500.00 (per tractor unit)

2. Admission to Panama - Customs	
Steps	Cost
Submit Commercial Bill and BoL	
Customs Appraisal	\$50.00
Inspection in Port	\$50.00
Tax	10% of CIF
ITBMS	7% of CIF plus Tax

Table 18. How to import a truck. Source: (Partner.Logistics, 2012)

Once taxes are paid in Customs the owner can take the truck from the port and begin its inscription in the City Hall. This inscription can be done in any city hall within Panamanian territory and is a prerequisite for the license plate. In general to inscribe the vehicle city hall's required a letter from the owner requesting the inscription, copy of the owner ID document, original statements (requested on DIJ) and the vehicle documentation. The inscription is done the same day and it has a cost of around \$20.00.

After the vehicle is inscribed, the owner can request the license plate. Depending on the vehicle model documentation may vary.

Insurance is another legal requirement to allow a vehicle to transit. Trucks are covered differently than other vehicles. Table 19 shows the different types of insurance used in the trucking industry.

Insurances type	
Description	Coverage
Tractor Unit Insurance	
Covers the tractor unit exclusively, drivers and passengers are not covered. Depending on the vehicle's age the coverage can be complete or only for third party damage or injuries	Corporal Injuries
	Damages to third parties property
	Collision and Overturn
	Fire
	Thievery
Shipping Endorsement Insurance	
Insurance required by the Shipping liner to carriers to moving their freights. It covers the trailer, container, flatbed, lowboy, chassis and every property of the shipping liner	Trailers
	Collision
	Fire
	Thievery
Freight Insurance	
Covers the cargo itself. Cost varies according to the	Thievery

freight type.	Assault
	Road hazard
Driver's Insurance	
Covers the truck driver and passengers	Accidental Death
	Accidental disability with dismemberment - total or partial
	Temporary incapacity
	Accident Medical Expenses

Table 19. Insurances Types and Coverage. Source: (Compañía Internacional de Seguros, 2012)

Documentation

In order to move freight Panamanian law establishes a number of documents required for circulation. There are two governmental entities involved in the process of obtaining the documentation, first is the Transit and Ground Transportation Authority (ATTT) and the City Hall. The documentation and process required are compiled on Table 20.

General Circulation Requirements			
1. Driver License - ATTT			
Type and Use	Requirements	Examinations	Renovations Requirements
Type: F Use: Trucks over eight (8) tons	Two year experience with a license type C or D	Auditory exam	Auditory exam
	Less than thirty five infringement points acquired within the two years before the request	Vision examination	Vision examination
	Training course given by the Transit and Ground Transportation Authority or an authorized agent, in which the applicant is credited the ability to drive the vehicle	Written exam	Negative results on drug test
	Negative results on drug test	Driver exam	Review of infringement
	Certificate for good mental and physical health		

Type: G Use: Combine Trucks	Two year experience with a license type F	Auditory exam	history
	Less than thirty five infringement points acquired within the two years before the request	Vision examination	
	Training course given by the Transit and Ground Transportation Authority (ATTT) or an authorized agent, in which the applicant is credited the ability to drive the vehicle	Written exam	
	Negative results on drug test	Driver exam	
2. Unique Record of Vehicle Ownership - ATTT			
Type	Requirement	Content	
Written Record	Vehicle inspection by Transit and Ground Transportation Authority (ATTT) or an authorized agent	<ol style="list-style-type: none">1. Manufacturer’s Vehicle Identification Number2. Description: Brand, model, type, year of production, color, manufacturer’s name, passenger capacity3. Characteristics: Engine number, chassis number, type of fuel use, type of traction, bearing capacity, tonnage4. Provenance: Previous owner or dealer’s name, number of customs clearance, liens of legal restrictions5. Vehicle’s Owner: First name, Last name, nationality, marital status, personal identification number or company name	
	Vehicle inscription on National Section of Unique Record of Vehicle Ownership of ATTT		
3. Unique and Final License Plate – City Hall			
Type	Requirement	Content	
License Plate	Vehicular Inspection Certificate	1. Vehicle unique identification number	
	Certificate of Unique Record of Vehicle Ownership		
	City hall certificate of no debt		
	ATTT certificate of no debt		
	Payment of the national circulation tax		
4. Weight and Dimension Permit - ATTT			

Document	Requirement	Content
Weight and Dimension Permit - Card	\$2.00 for permit payment	<ol style="list-style-type: none"> 1. Vehicle Characteristics 2. Weight allowed by law 3. Dimension allowed by law
	Certificate of no debt by ATTT	
	Brief requesting the permit with \$4.00 in stamps. Not required for renovations	
	Expected two days for permit delivery	

Table 20. General Circulation Requirements. Source: (Autoridad de Tránsito y Transporte Terrestre, 2006)

Freight transportation in Panama can be divided in three types according to the special documentation needed. These types are movements within Panama, movements from bond to bond within Panama and Long-haul movements from bonds in Panama to bonds on Central America.

Ground transportation inside Panama is the transportation done between two parties (private or public), neither of them bonds, within the territory.

This type of movements does not require special documentation but the commercial bill of the goods moved which serves as a voucher for tax payments (see Table 21).

Since moving freight from bond to bond implies that the goods moved have not yet pay taxes, the process differs from the regular movements within Panama territory (see Table 21). This type of movements requires the use of SIGA (Sistema Informático de Gestión Aduanera). The acronym SIGA stands for Customs management integrated systems, through this platform the shipper presents the freight manifest, declarations and register inputs and outputs from the bond (see Table 22).

Ground Freight Transportation		
Type of Movements	Required Documentation	Required Equipment for all vehicles within Panamanian territory
Internal movements	License type F or G	<ol style="list-style-type: none"> 1. One lift capable of raising one vehicle 2. Tools to replace a tire
	License plate	
	Weight and Dimensions Card	
	Vehicle Insurance	
	Goods insurance	

	Commercial Bill	3. Spare tire
Bond to Bond movements	License type F or G	4. Fire extinguisher type BC
	License plate	5. Two cues to block the vehicle
	Weight and Dimensions Card	6. Basic tools for emergency repairs
	SIGA	7. Reflective security triangle
	Vehicle Insurance	
	Goods insurance	
Long-haul movements	License type F or G	
	License plate	
	Weight and Dimensions Card	
	Vehicle Insurance	
	Goods insurance	
	TIM	
	DUT	

Table 21. Ground Freight Transportation requirements according to freight transportation category. Source: (Autoridad de Tránsito y Transporte Terrestre, 2006), (Autoridad Nacional de Aduanas, 2011),

Any entity subscribed to SIGA can plugged the information from their shipments. Subscribing to SIGA requires a request form with the applicant information; this form is obtained on Customs' web portal (www.ana.gob.pa). Subscribed users receive a password that allow them to access the portal and plug cargo information in SIGA. If a company does not desire to manage a SIGA account it has the option to outsource this procedure to an entity called "Customs management enablers" (facilitadores de la gestión aduanera) which are authorized by Customs to introduce information to SIGA in behalf of other companies. At the moment CANATRACA is the only authorize custom management enabler in Panama, and has two offices, one in Paso Canoas, Chiriquí and a second in Colon Free Zone.

International regulations establish that for moving freight from Panama to Central America and viceversa the carrier requires a TIM document per vehicle and a DUT document per cargo (see Table 22). Both documents are required to enter Central American countries. In a same fashion as with SIGA, TIM and DUT documents requires the inscription of the carrier into the TIM portal and can be prepared either by the carrier itself or by a Customs management enabler.

SIGA – TIM & DUT		
Document	Documentation use to fill the form	Description
SIGA	Subscription to SIGA Bill of Lading or Manifest Commercial Movement Declaration	Required for transportation between bonds within Panama, it is a web portal that compiles the shipment information. Such information can be upload by the shipper if it is subscribe to SIGA portal or by a Custom management enabler
TIM & DUT	Subscription to TIM Bill of Lading or Manifest Commercial Movement Declaration	Required for transportation between bonds in Panama and bonds in Central America, the document compiles information about the shipment. Each cargo vehicle requires one TIM. Each cargo requires one DUT. DUT is inserted within TIM, and can be one or several if consolidated cargo is transported. Such information can be upload by the shipper if it is subscribe to SIGA portal or by a Custom management enabler

Table 22.SIGA, TIM and DUT description. Source:(Autoridad Nacional de Aduanas, 2012)

Process to Cross Border

Free trade agreement between Panama and Central American countries establish that any commodity covered in the agreement requires only a commercial bill, Customs form (TIM and DUT), certificate of origin and a road waybill. Nevertheless, after interviewing trucking industry professionals and associations representative, it was made clear that the FTA is not being followed as it was established.

Because of the current situation, trucking companies have to take in account additional “expenses” when crossing the border, like bribes, accommodation, trailer’ seals, among others.

Procedure to Export and Import

Compliance and exportation or importation in Panama involves public and private sector. Table 23 and Table 24 shows the steps needed to be followed to export and import from/to Panama.

Exports:	
Step	Description
1	The exporter should give a commercial bill which demonstrates a sale and exit of the product.
2	The exporter should request a reservation with a shipping line or freight agency that backs up the exit date and mode of transport that will be used for the export of the product.
3	Once the reservation is done, the exporter should give the reservation number with the commercial bill of the exportation to a customs broker, and then the broker should manage the duty payments in the VICOMEX (Unique window for exports).
4	After the duties are paid, the delivery of the merchandise is done in the place that is going to be consolidated in the case of bulk cargo, in case of a single vessel, it could be picked up in the port or selected site to take it to the warehouse and load the merchandise.
5	As soon as vessel is full, a trucker takes the bill, liquidation of exportation so the vessel can access pass the border.
6	The exporter should send via courier the original bills to the customer.
7	In case that the Bill of Lading/Road Waybill is printed in Panama then it should also be sent via courier, but if the Bill of Lading/Road Waybill was created in the destination then only the original bill needs to be sent via courier.
8	The trucker should return to the client the original bill and liquidation documents.

Table 23. Steps for Exporting from Panama. Source: (Carles, 2012)

Imports:	
Step	Description
1	Receive a bill from a forwarding agent.
2	Receives bill of lading/way bill.
3	Documentation is given to a custom broker.
4	The custom broker classifies the bill by tariffs, because a bill can have different products under different custom tariffs.
5	The duties are paid according to the tariffs that would be the CIF value of the products.

Table 24.Steps for Importing to Panama. Source: (Carles, 2012)

Depending on the type of goods the procedure followed in customs may differ. Based on products type the procedures can be divided in: agriculture products, industrial products, products covered by the FTA and reexports. Diagram 1, Diagram 2, Diagram 3 and Diagram 4 show the process followed in Customs to fulfill the import or export of products.

Export Agriculture Products

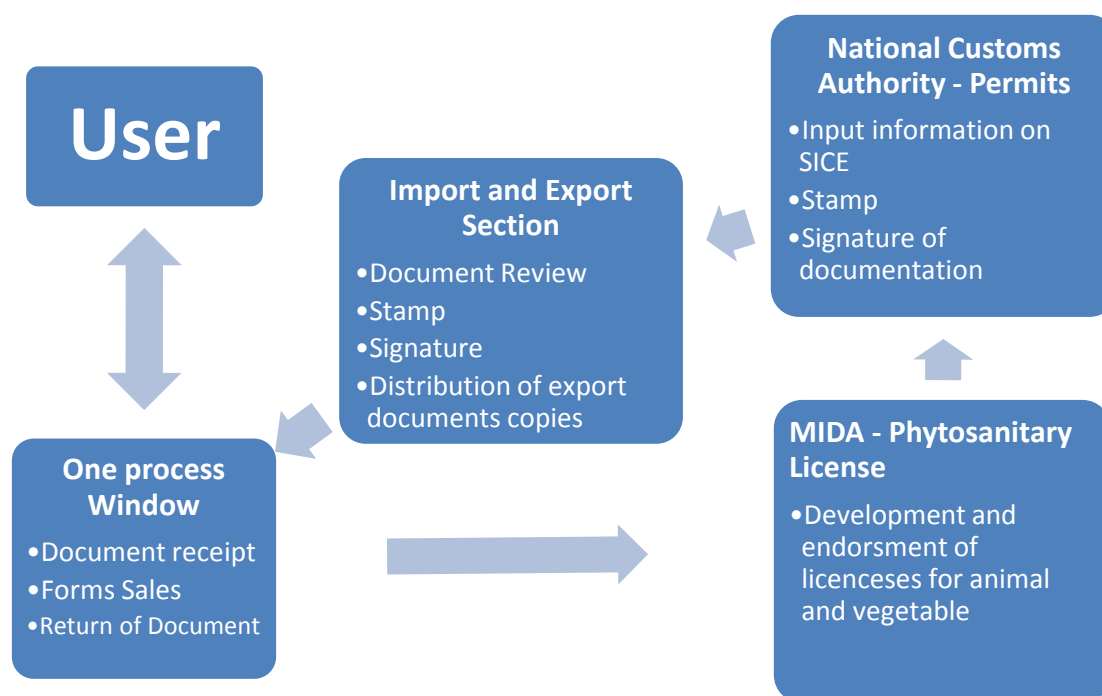


Diagram 1.Process to import and export agricultural products. Source: (Autoridad Nacional de Aduanas, 2011)

Export Industrial Products

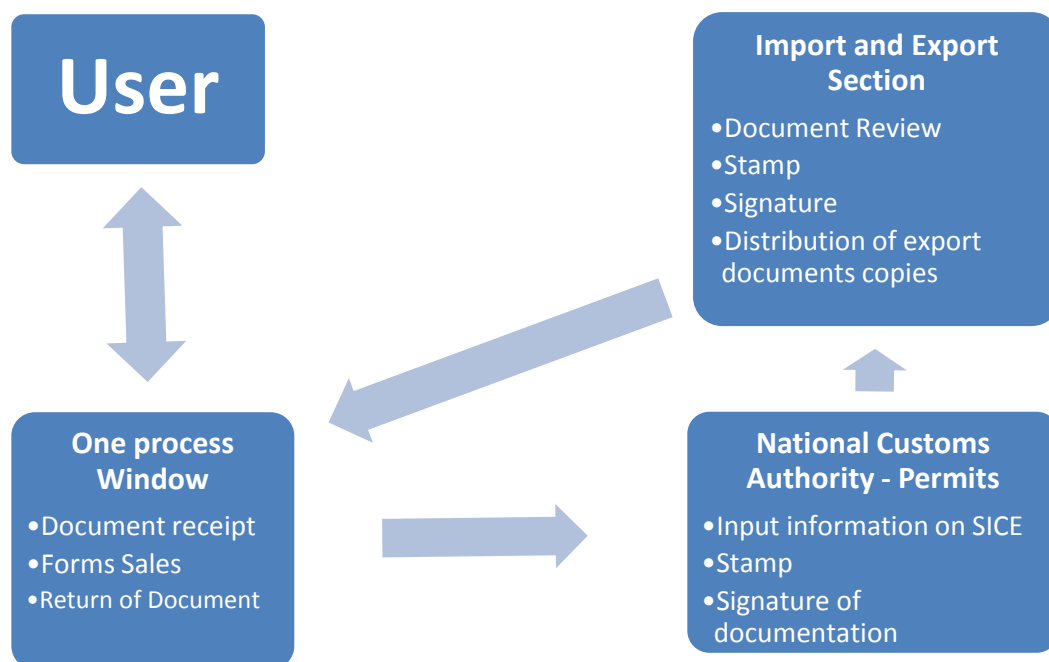


Diagram 2. Process of import or export industrial products. Source: (Autoridad Nacional de Aduanas, 2011)

Exports of Goods covered by the FTA

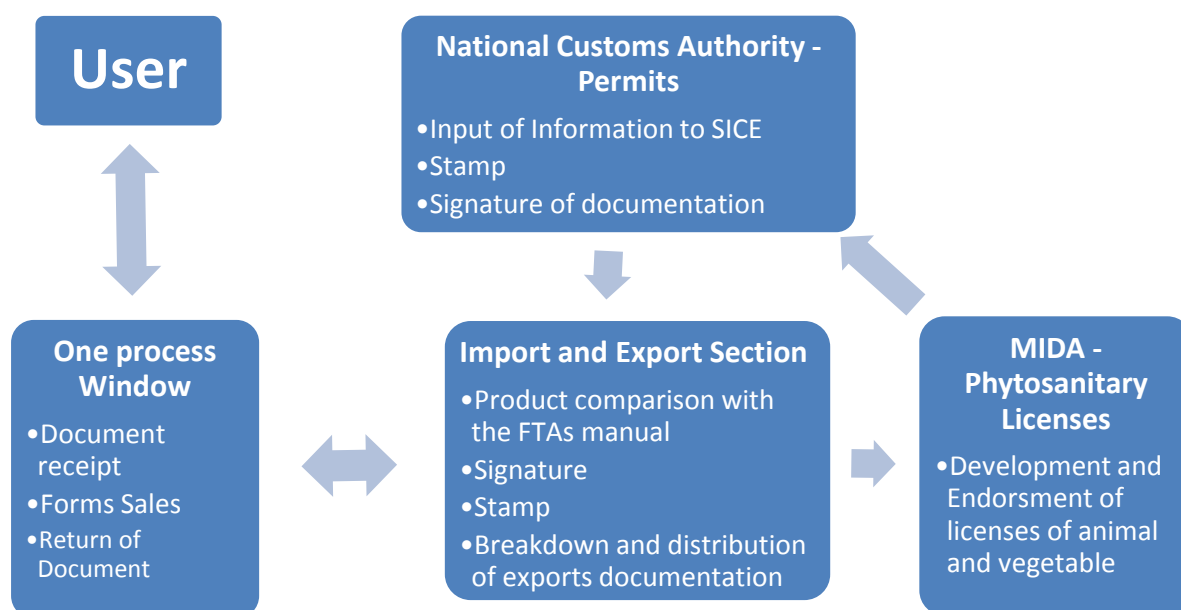


Diagram 3. Process to import or export goods covered by the FTA. Source: (Autoridad Nacional de Aduanas, 2011)

Reexports

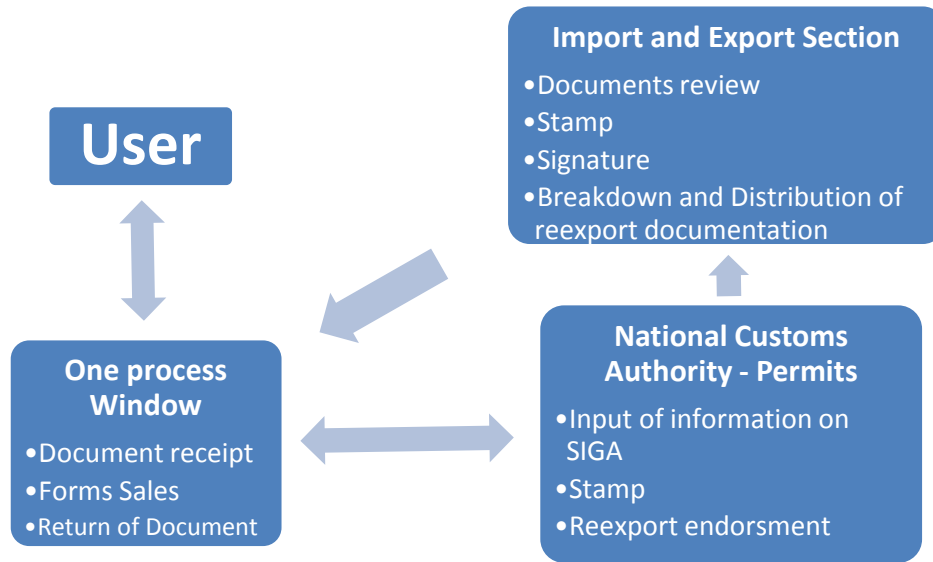


Diagram 4.Process to reexport. Source:(Autoridad Nacional de Aduanas, 2011)

RATES: INLAND FREIGHT TRANSPORTATION

The operating cost is the key item to measure how much is being spent, making it easier to come with a markup. In Panama, small companies (majority of the sector) are not used to keep track of their costs; this makes rates to be very unstable. Since the transportation is dominated by small companies that in some cases avoid taxes (e.g. social security). Rates are affected by several issues like tax avoidance and the lack of knowledge of the actual operating cost which is a characteristic of informal markets. Interviewees mentioned that the industry is also affected by the companies charging by movement of freight and not by kilometer traveled, which is an empirical way to come with a price. People charge by movement of freight because makes easier to overload the vehicle and then the rate can be lowered down, but it ruins the vehicle in the long run. These practices are leading to a stagnation of the industry and creates the wrong environment toward the transportation of goods, for example, less technology and unsafely practices in order to charge less for the freight.

Some remarkable problems that can be induced from the fluctuation of the rates can be:

- Companies that are interested in shipping their freight to try to lower the prices and increase their service level.
- Transportation companies do not contract people trained or with experience since are more expensive.
- Overloading of the vehicles and use of “donations” to pass through the National weight stations.
- Poor investment in technology.
- Avoidance of taxes, insurance, association fees, between others.
- Lack of maintenance of the vehicle.

The situation in Panama is quite similar to Central American countries due to the fact that the rates are not regulated nor calculated based on the costs of the companies. In brief, it can be said that all the countries studied so far (Panama, Costa Rica, Nicaragua, El Salvador, Honduras and Guatemala) do not have a minimum price of transportation. Based on interviews of consultants, owners and drivers in the industry the majority of companies, the ones that actually try to calculate their rates, take in account the following aspects to calculate their rates:

- Depreciation
- Taxes
- Insurance
- Maintenance
- Salaries and benefits
- Fuel

The rates also can vary due to the value added to the vehicle or service as for example: GPS, uniforms, communication equipment, spare parts, between others. The value added does not have a specific charge, in other words, it cannot be calculated as percentage in addition of the flat rate. All depends on the company that is providing the service.

Table 25 show the current situation of rates within Panama. All of them are an average of the rates provided and were given by the diesel's price of USD. 3.60. The information is a compilation of different sources: CANATRACA, Cargo Centro S.A., VIPA S.A. and Transportes Pascual S.A.

Rates inside Panama						
Type of vehicle	Origin	Destination	Type of freight	Aprox. Rate	Miles	Cost/mile
Trailer	Panama City	Panama City	Dry	150.00	25	6.00
	Panama City	Panama, Coronado	Dry	370.00	53.7	6.89
	Panama City	Colon city	Dry	330.00	51.8	6.37
	Panama City	Coclé, Penonome	Dry	470.00	91.9	5.11
	Panama City	Herrera, Chitre	Dry	630.00	155	4.06
	Panama City	Los Santos, Las tablas	Dry	650.00	175	3.71
	Panama City	Cocle, Divisa	Dry	550.00	133	4.14
	Panama City	Veraguas, Santiago	Dry	630.00	154	4.09
	Panama City	Chiriquí, David	Dry	770.00	273	2.82
	Panama City	Chiriquí, frontera	Dry	900.00	303	2.97
	Panama City	David, Bugaba	Dry	800.00	290	2.76
	Panama City	David, Boquete	Dry	850.00	296	2.87
	Panama City	David, Volcán	Dry	900.00	307	2.93
	Panama City	Chiriquí, Puerto Armuelle	Dry	1150.00	328	3.51

	Panama City	Bocas del Toro, Changuinola	Dry	1250.00	368	3.40
	Chiriquí, David	Chiriquí, Puerto Armuelle	Dry	800.00	55.7	14.36
	Chiriquí, David	Los Santos, Las tablas	Dry	750.00	183	4.10
	Chiriquí, David	Herrera, Chitre	Dry	750.00	163	4.60
	Chiriquí, David	Coclé, Penonome	Dry	750.00	181	4.14
	Los Santos, Las tablas	Panama City	Dry	650.00	171	3.80
	Herrera, Chitre	Panama City	Dry	650.00	151	4.30
	Coclé, Penonome	Los Santos, Las tablas	Dry	450.00	97.6	4.61
	Coclé, Penonome	Herrera, Chitre	Dry	450.00	77.6	5.80
	Veraguas, Santiago	Los Santos, Las tablas	Dry	550.00	85.3	6.45
	Veraguas, Santiago	Herrera, Chitre	Dry	550.00	55.3	9.95
	Sona, Veraguas	Los Santos, Las tablas	Dry	650.00	107	6.07
	Sona, Veraguas	Herrera, Chitre	Dry	650.00	87	7.47
	Panama City	Panamá, Capira	Dry	280.00	29.1	9.62
	Panama City	Darien, Pinogana	Dry	690.00	180	3.83
	Panama City	Panamá, Chepo	Dry	280.00	39.8	7.04
	Panama City	Panama City	Reefer	140.00	20	7.00

	Panama City	Panama, Coronado	Reefer	350.00	53.7	6.52
	Panama City	Colon city	Reefer	320.00	51.8	6.18
	Panama City	Coclé, Penonome	Reefer	450.00	91.9	4.90
	Panama City	Herrera, Chitre	Reefer	550.00	155	3.55
	Panama City	Los Santos, Las tablas	Reefer	580.00	175	3.31
	Panama City	Cocle, Divisa	Reefer	450.00	133	3.38
	Panama City	Veraguas, Santiago	Reefer	550.00	154	3.57
	Panama City	Chiriquí, David	Reefer	730.00	273	2.67
	Panama City	Chiriquí, border	Reefer	800.00	303	2.64
	Panama City	David, Bugaba	Reefer	770.00	290	2.66
	Panama City	David, Boquete	Reefer	830.00	296	2.80
	Panama City	David, Volcán	Reefer	875.00	307	2.85
	Panama City	Chiriquí, Puerto Armuelle	Reefer	950.00	328	2.90
	Panama City	Bocas del Toro, Changuinola	Reefer	1150.00	368	3.13
	Panama City	Panama City	Fuel	0.02	*The rates are based on the quantity of gallons transported.	
	Panama City	Panama, Coronado	Fuel	0.02		
	Panama City	Colon city	Fuel	0.03		
	Panama City	Coclé, Penonome	Fuel	0.04		
	Panama City	Herrera, Chitre	Fuel	0.05		
	Panama City	Los Santos, Las tablas	Fuel	0.06		
	Panama City	Cocle, Divisa	Fuel	0.04		
	Panama City	Veraguas, Santiago	Fuel	0.05		

	Panama City	Chiriquí, David	Fuel	0.09		
	Panama City	Chiriquí, border	Fuel	0.11		
	Panama City	David, Bugaba	Fuel	0.09		
	Panama City	David, Boquete	Fuel	0.11		
	Panama City	David, Volcán	Fuel	0.11		
	Panama City	Chiriquí, Puerto Armuelle	Fuel	0.13		
	Panama City	Bocas del Toro, Changuinola	Fuel	0.14		
Container bed	Panama City	Panama City	Dry	130.00	25	5.20
	Panama City	Panama, Coronado	Dry	350.00	53.7	6.52
	Panama City	Colon city	Dry	300.00	51.8	5.79
	Panama City	Coclé, Penonome	Dry	450.00	91.9	4.90
	Panama City	Herrera, Chitre	Dry	600.00	155	3.87
	Panama City	Los Santos, Las tablas	Dry	650.00	175	3.71
	Panama City	Cocle, Divisa	Dry	550.00	133	4.14
	Panama City	Veraguas, Santiago	Dry	600.00	154	3.90
	Panama City	Chiriquí, David	Dry	720.00	273	2.64
	Panama City	Chiriquí, border	Dry	820.00	303	2.71
	Panama City	David, Bugaba	Dry	770.00	290	2.66
	Panama City	David, Boquete	Dry	850.00	296	2.87
	Panama City	David, Volcán	Dry	900.00	307	2.93
	Panama City	Chiriquí, Puerto Armuelle	Dry	1200.00	328	3.66
	Panama City	Bocas del Toro, Changuinola	Dry	1300.00	368	3.53

	Panama City	Panama City	Reefer	130.00	20	6.50
	Panama City	Panama, Coronado	Reefer	300.00	53.7	5.59
	Panama City	Colon city	Reefer	300.00	51.8	5.79
	Panama City	Coclé, Penonome	Reefer	440.00	91.9	4.79
	Panama City	Herrera, Chitre	Reefer	500.00	155	3.23
	Panama City	Los Santos, Las tablas	Reefer	587.00	175	3.35
	Panama City	Cocle, Divisa	Reefer	470.00	133	3.53
	Panama City	Veraguas, Santiago	Reefer	500.00	154	3.25
	Panama City	Chiriquí, David	Reefer	700.00	273	2.56
	Panama City	Chiriquí, border	Reefer	800.00	303	2.64
	Panama City	David, Bugaba	Reefer	750.00	290	2.59
	Panama City	David, Boquete	Reefer	820.00	296	2.77
	Panama City	David, Volcán	Reefer	850.00	307	2.77
	Panama City	Chiriquí, Puerto Armuelle	Reefer	900.00	328	2.74
	Panama City	Bocas del Toro, Changuinola	Reefer	1100.00	368	2.99
	Panama City	Panama City	Fuel	0.02	*Price based on the quantity of gallons transported	
	Panama City	Panama, Coronado	Fuel	0.02		
	Panama City	Colon city	Fuel	0.03		
	Panama City	Coclé, Penonome	Fuel	0.04		
	Panama City	Herrera, Chitre	Fuel	0.05		
	Panama City	Los Santos, Las tablas	Fuel	0.06		
	Panama City	Cocle, Divisa	Fuel	0.04		

	Panama City	Veraguas, Santiago	Fuel	0.05		
	Panama City	Chiriquí, David	Fuel	0.09		
	Panama City	Chiriquí, border	Fuel	0.11		
	Panama City	David, Bugaba	Fuel	0.09		
	Panama City	David, Boquete	Fuel	0.11		
	Panama City	David, Volcán	Fuel	0.11		
	Panama City	Chiriquí, Puerto Armuelle	Fuel	0.13		
	Panama City	Bocas del Toro, Changuinola	Fuel	0.14		

Table 25. Rates inside Panama. Source: (Pascual, 2012), (Gomez, 2012), (Chavez, 2012)

Rates are calculated assuming a roundtrip because the possibility that a *freight catcher* will have backhauling loads is low. Basically, there is only two ways a Panamanian trucker can obtain freight in Central America; with a *freight catcher* in any of the countries that the truck is passing by or if the shipper has freight to bring back to Panama or other country that the truck goes by. The table below shows the average trip times from city to another city.

Trip times within Central American countries					
Cities		Normal Time			
From	To	Loading Day	Travel Time	Unloading Day	Total Time
Guatemala	San Salvador	1	1	1	3
	San Pedro Sula	1	2	1	4
	Tegucigalpa	1	2	1	4
	Managua	1	2	1	4
	San José	1	3	1	5
	Panama City	1	4	1	6
	Ciudad Hidalgo	1	1	1	3
San Salvador	San Pedro Sula	1	1	1	3
	Tegucigalpa	1	1	1	3
	Managua	1	2	1	4
	San José	1	2	1	4
	Panama City	1	3	1	5

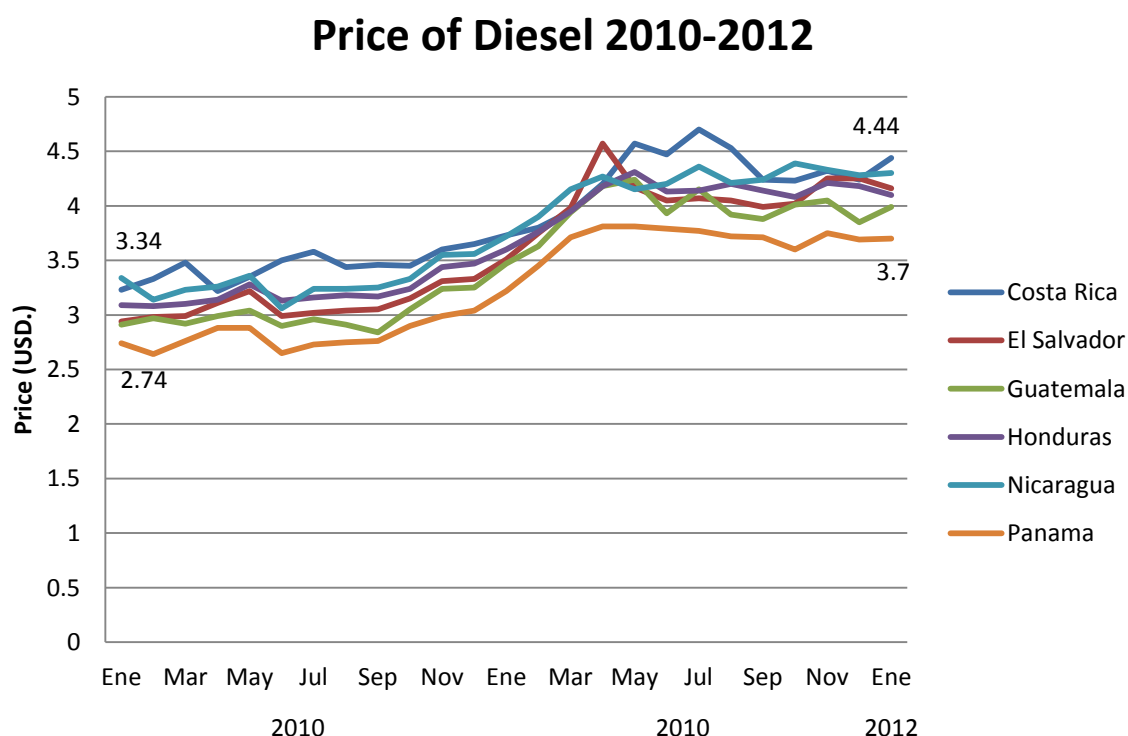
	Ciudad Hidalgo	1	1	1	3
San Pedro Sula	Tegucigalpa	1	1	1	3
	Managua	1	1	1	3
	San José	1	2	1	4
	Panama City	1	3	1	5
	Ciudad Hidalgo	1	2	1	4
Tegucigalpa	Managua	1	1	1	3
	San José	1	2	1	4
	Panama City	1	3	1	5
	Ciudad Hidalgo	1	2	1	4
Managua	San José	1	1	1	3
	Panama City	1	2	1	4
	Ciudad Hidalgo	1	2	1	4
San José	Ciudad Panamá	1	1	1	3
	Ciudad Hidalgo	1	3	1	5
Panamá	Ciudad Hidalgo	1	4	1	6

Table 26. Trip times within Central American Countries. Source: (Cámara de Transportistas Centroamericanos)

Fuel

One of the main aspects to take in consideration in the rate is “fuel”. According to Alberto White; director of the Commerce, Industrial and Agriculture Chamber of Panama (Cciap); if the fuel is increasing at a 12% rate, in the same way, the freight rate will increase. **In this sense, fuel can be considered as 50% of the cost of transportation (Harris).** The following table shows how the price of diesel in Panama has been increasing from 2008 to 2012:

Even though the diesel has been increasing in Panama, among the Central American countries, it is the cheapest country in terms of fuel, according to SIECA. Graph 14 demonstrates this fact.



Graph 14. Price of Diesel from 2010 to 2012. Source: (Cepal, 2010)

Basically, the low price of diesel in Panama comparing it to other countries in Central America is due to low taxes (see Table 27) and global position, according to Wolfram González, Hydrocarbons Director. Tanker ships pass through the Panama Canal so it is easier to transport from Panama to Central American Countries, indeed, cheaper.

Taxes of Diesel in 2010	
Country	USD/gal.
Panamá	0.25
Guatemala	0.48
El Salvador	0.57
Honduras	0.61
Nicaragua	0.70
Costa Rica	0.80

Table 27.Taxes of Diesel in 2010. Source: (Cepal, 2010)

Another factor is the regulation and change of prices in each country. The following table has a summary of regulatory issues per country in Central America.

Characteristics of the price in 2012		
Country	Type of Regulation	Price change (days)
El Salvador	Free	14
Guatemala	Free	7
Nicaragua	Free	7
Costa Rica	Government	30
Honduras	Government	7
Panamá	Government	14

Table 28.Characteristics of the Price in 2012. Source: (Cepal, 2010)

The main factor affecting the prices, among the countries listed before, is taxes. If there is a comparison between the prices vs taxes and characteristics, it can be seen that the countries with higher taxes have higher diesel prices independently of the type of regulation.

Beside the fuel another aspects that affect the rates are seasonalities, emergent markets, market falls, and more competition.

Recommendations

The trucking industry is mainly individual companies not associated. The fact of being associated opens a lot of benefits and makes the industry to have structured policies in order to reach efficiency. In this sense, the Panamanian government should promote and participate with the associations in a certain way. And help associations to obtain better benefits such as:

- Training centers in order to have certificated truckers and companies.
- Promote technology among the trucking companies by offering it from local or foreign companies.
- Lower financing rates for trucking investments (expansion or replacement of fleet).
- Contracts with suppliers to have an effective economy of scale in order to have better prices.
- An efficient system in Customs. Especially, the paper work and security. An internal (Inside Panama) electronic system integrated to the Central American system in order to have a standardized procedure through Central America integrating every entity related with the freight movement.

As result of these benefits the industry will have:

- Fixed rates based in real costs and competing in a legal way and focused in customer service and efficiency.
- Control and registered of each company. This will allow government to make better decisions since will be available data to analyze.
- Better regulations of salaries and working conditions.
- Better control of strategies, policies and actions.

The Panamanian government should create an integrated transportation institution to focus in the real problems of transportation. The split of transportation in different institutions has made the system disintegrated. This situation of having such segregated data is an important reason to suggest that an integrated transportation institution should be created to control and unify information.

In order to have a better control of the system the government should implement the following:

- “Data Center” from all associations and independent companies. This will allow making decisions based in real data instead of perception.
- “Transportation facility” in a strategic location of Panama. Truckers would have some place to rest and eat. Right now the truckers stop in any place, which is unsafe.
- Designing and implementing a “flex rate” system based on the variability of the fuel.
- Customs should invest in their facilities. For example, in Paso Canoas trucks stop in the side of road to wait until their turn in customs.

CONCLUSION AND FURTHER WORK

This document aims towards spreading an overview of the long haul Panamanian trucking industry, including general characteristics, legal aspects of moving loads, actual processes to move from border to border, a business plan in how to start a trucking company, and some recommendations. Now will be easier for the shareholders of this project: Georgia Tech Logistics Innovation and Research Center, the government, investors, and the general public to have a comprising document that facilitates learning about this undeveloped industry and its different aspects influencing it. Main aspects of this research will be available via the Georgia Tech Logistics Innovation and Research portal and the whole document will be available in UTP and ULatina libraries.

Now that some relevant information about the Panamanian long haul trucking industry was collected and presented in an objective document the next step is to make this information available for further investigation. Some ideas to expand the knowledge about this industry are:

- Investigating more detailed information about changes in the international relations in Central America.
- Reporting the continual evolution of IT among the Central American entities involved in smoothing the process of moving freight and expediting the information through borders.
- Keep updated information about the abnormalities in the process of moving loads through the different countries, and border to border.

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ANNEX

Business Plan

Industry= Trucking Industry / Inland cargo transportation

What is the business?

Trucking/ yard storage company with yards and offices in Panama City, PA, San Jose, CR, and Guatemala City, GT. These yards and offices are strategically located to ensure economies of scale, centralize cargo to ensure backhauling, have safe and direct routes, and to be located close to ports, free zones, and mayor commercial cities.

Service

- Inland cargo transportation= Offer an inland cargo transportation all through Central America that is fast, safe, and cost efficient.
- Yard services=
 - a. Product consolidation (Strictly as cross dock)
 - b. Cross Docking
 - c. Trucking rest area
 - d. Safe trailer and/or truck storage
 - e. Maintenance, grocery store/restaurant, etc...
 - f. Gas/diesel services??
- Warehouse services (Potential)
- Crane services (Potential)

How will these services benefit customers?

- Competitive rates for transporting their goods
- Tracking of goods
- Fast and safe transportation of goods
- Experienced drivers
- International drivers in order to deal with internal(within each country) services
- 3 safe and strategically located yards/resting areas/offices to store trucks and/or trailers
- Value added operations in yards
- Excellent customer service
- Customer online networking

Differentiation of service

- Excellent customer service
- Availability of technology (GPS, tracking of goods, modern trucks and trailers, etc...)
- Availability of service
- Economical, safe, and fast deliveries
- Understands the client's Supply Chain
- Variety of services

Strategy

Due to the characteristics of the Central American cargo transportation industry, a good strategy is needed in order to deal with the different problems, supply demand, and take advantage of situations in which others don't. The first rule of our strategy is that all the team, from the security guard to the president of the company, has to know the strategy of the company completely.

Situation	Strategies
International Business	The company needs to work as one. Clear communication, introduction of new technologies, experienced personnel, market study, customer service, proper administration, variety of services, economies of scale, backhauling, and efficient marketing.
New technologies	Top of the line equipment (Trucks, tires, chassis's, trailers, cell phones, computer equipment, etc...), 1 st world GPS services, and a great website for networking, news, and lead generation.
Border crossing, road blocks, and permits	For this situation it is vital to have a great, legal relationship with the local authorities all throughout the region. It is also very important to have available international drivers so that they are all aware of the different processes in each country.
Internal deliveries	In each country we count with national drivers so that internal deliveries may also be done. If there are no available drivers, we will outsource these services and charge a small fee for it. This will help not to have domestic cabotage from non national drivers.
Market Study	Different market studies for each country need to be made. This is in order to understand each market, understand seasonality, understand the different supply chains, different clients, and the different demands there is in each country. Also, a study is needed for all laws, road infrastructure, new markets, new projects, and new opportunities.

Value Proposition

This is an organization made of personnel who understands your supply chains and its needs. Our professional drivers will make sure that your cargo is safely delivered to its destination and in a low cost and efficient way. Our yards in Panama City, San Jose, and Guatemala City will give you the opportunity to consolidate cargo, have safe overnight storage of trucks and trailers, and have an opportunity to triangulate your cargo to its destination.

Finally, with our GPS technology you will be able to track all your goods, give accurate ETA's to your customers, and have a real time control of your product with direct communication with our truck drivers and office personnel. In our website you will find our list of customers which range from big corporations such as International Seaports to small family businesses such as local stores and supermarkets. In our website you will be able to track your product, check the relevant news and information of the industry, and network with all of our clients, and their supply chain members.

Why do customers need our services?

In the present, customers need transportation companies of confidence which who they can count on for a variety of operations. Also, part of the strategy of our business plan is to have drivers from all the countries of the region with the objective of having experienced, local drivers that understand the markets and the roads.

Target Market

1. Primary=

- Port Authorities (Ex. MIT, PPA, P. Limon, P. Cortes, P. Quetzal, etc...)
- Shipping Lines (Ex. Maersk, MOL, MSC, EVERGREEN, etc...)
- Free Zone Companies (Ex. CFZ, Paso Canoas, Panama Pacifico, etc...)
- Commercial Companies (Ex. Supermarkets, Industries, Suppliers, Manufacturers, etc...)
- 3PL's and/or freight forwarders (Ex. Damco, UPS, DHL, etc...)

2. Secondary=

- Customers that heard of service from:
 - Social Media
 - Yellow Pages
 - WOM
 - Newspaper, magazines, etc..

What do you know about your potential customers (Primary market)

- Port Authorities
 - Increasing volume of goods (Imports & Exports)
 - Constant and strong business

- Economies of scale
- Growing opportunities in a close future
- Close to yards
- Most of the times they establish their own prices
- Shipping Lines
 - Increasing volume of goods (Imports & Exports)
 - Constant and strong business
 - Economies of scale
 - Most of the times they establish their own prices
- Free Zone Companies
 - Increasing volume of goods
 - Constant and strong business
 - Economies of scale
 - Prices should be easier to negotiate
- Commercial Companies
 - Due to an increase in the regional commerce and volume of goods regional business is also starting to grow.
 - There is an increase of small importing/exporting businesses (At least in Panama).
 - Prices should be easier to negotiate

S.W.O.T. Analysis

Strengths:

- Good business strategy.
- Services are new, innovative, and different.
- Business will count with top technology.
- Good understanding of markets, clients, and supply chains.
- Experience personnel.
- Great prices, flexibility, safety, and customer service.

Weaknesses:

- New in the competition.
- Company is starting from scratch.
- Need to research for clients.
- Need to market services.

Opportunities:

- Customer service in the region is not good. There is a good opportunity to differentiate our services with good, quality customer service.
- Volume of imports and exports are increasing in the region.
- Not many yard services like ours.
- Much space to grow into different logistics services.

- Much room for expansion.

Threats:

- Competition
- Fake regulations
- Lack of backhauling product
- Corruption
- Local laws
- Regional safety

Potential Business Costs (Estimated)

Description	Initial Investment	Estimated Cost (Yearly)
Trucks	\$20,000 each (Import)	-----
48' Trailer	\$18,000 each (Import)	-----
20' & 40' Chassis	\$2,000 - \$4,500 each	-----
Description	Estimated Cost (Monthly)	Estimated Cost (Yearly)
Secretary	\$650.00	\$7,800.00
Driver	\$700.00 + Trip	\$8,400.00
Mechanic	\$600.00	\$7,200.00
Maintenance Manager	\$2,000.00	\$24,000.00
Administrative Manager	\$2,500.00	\$30,000.00
Security Guard	\$280.00	\$3,360.00
Social Security (Based on a \$700 per month salary)	10%	\$840.00
Bank Loan Interest (Based in an initial investment of 5 trucks and 9 trailers and/or chassis.)	4%	
Equipment Insurance	\$80.00 per truck	\$960.00
Cargo Insurance (Based on a \$70,000.00 value of cargo)	\$150.00 per trailer	\$1,800.00 per trailer
Per diem (\$10 per day per driver)	\$1,200.00	\$14,400.00
Maintenance	\$500.00 per truck	\$6,000 per year
Office- Electric/Telephone	\$300.00	\$3,600.00
Internet	\$70.00	\$840.00

Taking into consideration 5 used trucks (\$20,000 each), 5 chassis (\$2,000 - \$4,500), 3 trailers (\$18,000), 1 yard (\$20,000 – \$40,000) a roughly estimation of an initial investment would be \$250,000.

Regulation on international customs inland transit system, declaration form, and instructions.

Resolution No. 65-2001

Resolution no. 65-2001

The council of ministers of regional economic integration and development

Considering:

1. That Panama is a full member of the Central American Integration System (SICA), allowing it to participate in the different groups of the system, with all rights, and obligations that correspond to it;
2. That in accordance with the Article 18 of the Protocol of Tegucigalpa to the Charter of Central American States (ODECA) it is the responsibility of this body to implement the decisions of the meeting of presidents in the field of economic integration;
3. That the freight service and the international customs inland transit are important factors for effective implementation and deepening of trade relationships between Central America and Panama.
4. That through the Resolution No. 64-98 (COMRIEDRE) of January 19th, 1998 , this body decided to establish a mechanism of reciprocal and non-discriminatory treatment for freight services between the six states of the Protocol of Tegucigalpa, adopting for the regulation of these interrelationships the regulation of international customs inland transit system, the “Declaration” form, and the instructions all showed in the Annex of this resolution.
5. That while achieving an agreement on international inland transport services through a Free Trade Agreement between Central America and Panama, it requires modifications of the common provisions to facilitate and not impede trade between them, in order to adapt to new realities of international trade.

Resolves:

2. To establish a mechanism of reciprocal and non-discriminatory treatment for freight service between Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama, which includes the following:
 - a. Full freedom of transit through their territories to all means of inland freight cargo means of transport coming or going to any of the member states;
 - b. Freedom of transit implies:
 - i. Ensuring free competition in the contracting of inland freight transport subject to country of origin or destination;
 - ii. National treatment to the transport of all states in the territory of any of them, with the origin and destinations identified in item a).
 - c. The freight service is subject to the payment of taxes normally applicable to nationals of any of the signatories on the provisions of service, which in no case constitute charges or import taxes.
3. To adopt for use in the reciprocal relations of trade between the six countries, the amendments to the regulations on international customs inland transit system, "Declaration" Form, and Instructions, which is as it appears in the Annex to this resolution and forms an integral part of the same
4. Within six months after the adoption of the regulations annexed to this resolution, all states will evaluate their application in order to verify that it meets its purpose and, where appropriate, make modifications as necessary.
5. Issues relating to the interpretation, application, and modification of the regulations, the "Declaration" form, and instructions, will be known by the Council of Ministers Responsible for Economic Integration and Regional Development.
6. From the effective date of this resolution, the Resolution No. 64-98 (COMRIEDRE) of January 19, 1998 will be repealed.
7. This Resolution shall take effect thirty (30) days after this date will be published by the States Parties

ANNEX TO RESOLUTION No. 65-2001

REGULATION ON INTERNATIONAL CUSTOMS INLAND TRANSIT SYSTEM, DECLARATION FORM, AND INSTRUCTIONS. Signed: March 16, 2001

CHAPTER I

Regulation

Article 1 -

The rules contained in this regulation are intended to facilitate, harmonize, and simplify procedures in the international customs transit operations carried out by land.

CHAPTER II

Application

Article 2 -

The customs authorities of each signatory country authorize the transit of goods in international customs inland transit through its territory:

- a) Of a customs office of departure of a signatory country to a custom office of destination in another signatory country;
- b) Of a customs office of departure of a signatory country bound for a non-signatory third country in transit through one or more signatory countries other than the customs office of departure; and;
- c) Of a customs office of departure to one office of destination located in the same signatory country subject to transit through the territory of another signatory country.

This regulation is applied to all the goods from or originating in a signatory countries and/or third countries, provided that the transit operation is started in a signatory country, and compliance with the provisions of this article.

Article 3 -

Goods transported in an international customs inland transit operation will be admitted in the customs' territory of each of the signatory countries and will not be subject to payment of applicable duties and taxes, provided that all the legal formalities of this regulation are met.

CHAPTER III

Definitions

Article 4 -

- a) **Customs office of departure:** Customs from a signatory country that authorizes the beginning of an international customs inland transit operation.

- b) **Custom office of destination:** Customs from a signatory country where the international customs inland transit operations comes to an end.
- c) **Customs office of border crossing:** Customs office of entry or exit from a signatory country, located in any of the borders, where crossing, goods cross as an international customs inland transit operation.
- d) **Customs authority:** This is the official who, in virtue of his office and under the customs authority granted, checks the correct application of custom rules, complies them, and enforces them.
- e) **Superior customs authority:** Highest authority of the National Customs Service.
- f) **Consignee:** Is the person that the transport document establishes as the recipient of the goods or the purchaser of this quality by endorsement or other legal transfer permitted.
- g) **Declarant:** The carrier that signs and makes the “Declaration” document effected or under the name of who signs and makes the “Declaration” document in effect.
- h) **Duties and taxes:** Duties in the import tariff and other duties and other national and regional taxes applied on goods entering or leaving the customs territory.
- i) **Warranty:** Bond that ensures, to the satisfaction of the customs authority, the payment of duties and taxes, as well as any applicable penalties.
- j) **Declaration of goods for International Customs Inland Transit or “Declaration”:** Single customs document of the signatory countries which lists and describes the goods and where all the required data and information is shown based on this regulation for international customs inland transit operations.
- k) **Signatory country:** Each of the signatory countries of this regulation.
- l) **Customs seals:** Device that allows the customs office to effectively control the safety of goods
- m) **International customs transit:** Customs procedure under which goods are transported under customs control from one customs office of departure to a destination in a single operation, during which one or more borders are crossed.
- n) **Carrier:** Any person duly registered and authorized by the customs authority of its country of origin that runs the international transport of goods within the terms of this regulation.
- o) **Transfer:** Transfer of goods from the transport unit used to enter the country to one in which will continue to its destination. It will be held under the customs control after being requested by the carrier and approved by the appropriate customs authority.
- p) **Means of transport:** Means of transport used for the mobilization of goods from one place to another, which meets the conditions prescribed in this regulation such as:
 - a. Land transport motor vehicles;
 - b. Trailers, semitrailers, and containers with a capacity of one cubic meter or more, pulled or transported by traction motor; and,
 - c. Railcars.

CHAPTER IV

Document of “Declaration” and Procedures at the Customs Office of Departure

Article 5 -

- All transported goods have to be covered in the “Declaration” document.
- The “Declaration” must be signed by the carrier or its representative.
- It must be presented to the customs office of departure for its acceptance and record.
- It is understood that once a “Declaration” is signed it is done under oath.

Article 6 -

- The “Declaration” may be presented electronically or in any other format the customs authority allows it.
- This form must have a preprinted consecutive number.
- It must be uniform and compatible in every different country.

Article 7 -

- Each “Declaration” will only cover goods carried in one transportation unit from a customs office of departure to a customs office of destination.
- In case of consolidated loads the carrier will have to fill one “Declaration” per country of destination.
- If in the course of the transportation something else is picked up the carrier will have to fill a new “Declaration” for that product.

Article 8 -

For the authorization of the “Declaration” the following documents need to be presented were a copy will stay at the starting customs:

- a) In case of free regional trade = Customs form;
- b) In case of export = Export’s declaration, commercial invoice, waybill, and load manifest;
- c) In case of overseas imports = Copy of Bill of Lading, commercial invoice, and load manifest; and,
- d) In case of goods coming from the Colon Free Zone (CFZ) = Exit declaration of goods from the CFZ endorsed by customs and by the commercial department of the CFZ.

Article 9 -

- The customs office of departure will check that the “Declaration” is completed and, when needed, will check that the goods description in the document matches the load.
- The customs office of departure may decide to proceed with a selective and random check of goods. If the system of selection confirms a check is needed this may be done to the whole load or a percentage of it.

Article 10 -

Goods that are declared under international customs inland transit will be subject to the following formalities:

- a) Recognition of what is stated in the last article;
- b) Establishment of timeframes to show relevant documentation;
- c) Signaling of the route of transit; and,
- d) Required to seal, mark or any other identification method that customs may have.

Article 11-

Transportation units must meet the following conditions:

- a) Closures may meet the required security in order to be accepted;
- b) That the process of sealing the unit is simple and fast;
- c) That it has no way of introducing or taking goods out of the unit without violating the customs' seals; and,
- d) That it lacks places where goods can be introduced in a disguised way.

Article 12 -

- When the merchandise, due to its nature, weight and/or dimensions may not be transported by the units referred in the last article, the customs' authority will take the required measures to do so.

Article 13 -

The merchandise referred to at the last article may meet the following requirements:

- a) May be easily recognized by its brand, and fabrication numbers. They may also be visible and permanently printed into the merchandise;
- b) That none of its parts may be easily substituted or removed;
- c) That the packaging is appropriate and resistant; and,
- d) Its documentation needs to clearly show the product's characteristics.

Article 14-

The exit customs have to inform the destination customs about all authorized international custom transit operations.

CHAPTER V

Customs Seals

Article 15 -

- Customs' seals will be purchased by the custom authority of each of the signing countries.
- The seals must have the characteristics required by all signing countries.
- The cost of the seals will be incurred in the customs' fees.

Article 16 -

While an international customs inland transit operation all seals from one customs authority must be treated as their own of the other customs authorities.

Article 17 -

Customs 'seals must have the following characteristics:

- a) Must be resistant and secure;
- b) Must have easy and fast application;
- c) Must be controlled and identified easily;
- d) May not be removed without being broke; and,
- e) Must not be used more than once.

Article 18 -

Customs 'seals must only be used for International customs transit and must have the following identifications:

- a) Having the word customs on it;
- b) Having the country's code based on the International ISO 3166 (Guatemala: GT; El Salvador: SV; Honduras: HN; Nicaragua: NI; Costa Rica: CR; Panama: PA); and,
- c) Having the right customs number.

CHAPTER VI

Procedures during transit between customs

Article 19 -

The customs office of destination will establish the timeframe and route that the carriers must take to complete their transit.

Article 20 -

The customs office of border crossing will check the customs' seals and make sure these have not been forced as well as the good state of the transportation unit.

The constancy of the unit being checked will be printed into the document of "Declaration."

Article 21 -

If in any case the carrier cannot meet the timeframe established by customs or the route it may take an alternative one. This has to be documented in the "Declaration" by the exit customs

Article 22 -

During transit goods are not required to be checked.

Article 23 -

In case the seal, transportation unit or merchandise shows signs of force the customs agent may proceed to check and make the required procedures.

Article 24 -

When an authority different that customs requires inspection of merchandise it must immediately direct itself to the closest customs agency.

Article 25 -

Goods declared in the document of “Declaration” may be transferred on request, with authorization, and under vigilance of the customs authority of the country in which the merchandise is being transferred.

CHAPTER VII

Procedures at Customs Office of Destination

Article 26 -

All goods must be presented at the customs of destination within the timeframe established by the last customs.

Article 27 -

Customs of destination will verify:

- a) That the seal and unit of transportation match with what is presented in the “Declaration.”
- b) That the seal and unit of transportation do not show signs of being violated or manipulated.
- c) Check and verify for any customs marks or constancies in the “Declaration.”

Article 28 -

The International customs transit operations will conclude in the customs office of destination with the presentation and verification of the unit of transport and the merchandise consigned in the “Declaration.”

CHAPTER VIII

Warranty

Article 29-

Transport units under this Regulation shall constitute full, as a required, valid and enforceable warranty to answer the duties and taxes on goods transported under the International Customs Transit System.

CHAPTER IX

Obligations and Responsibilities of the Carrier

Article 30 -

The carrier is obliged to declare, accurately to the customs office of departure, all the merchandise according to the requirements of the “Declaration” or its electronic form.

Article 31 -

The following are obligations of the carrier:

- a) Be registered in the National Carriers Association(Register) of its country;
- b) Pay or extend the warranty, if applicable, pursuant to the provisions of this regulation;
- c) Submit to the customs authority in due and legal form the “Declaration”, all documents referred to in Article 8, and the transportation unit and the cargo to the starting customs;
- d) Deliver the goods to the customs office of destination;
- e) Adjust to the term and route established by the customs authorities;
- f) Present to the customs in transit the “Declaration” for its signature and stamp of Law;
- g) Keep the customs’ seals in good conditions;
- h) Report any accident in which it is part of; and,
- i) The others established in this regulation and the National Legislation of each of the signing countries.

CHAPTER X

Offences and penalties

Article 32 -

The following are offences to the International Customs Transit System:

- a) The lack or a break of the customs seal;
- b) Transport merchandise different or in different quantities to the ones declared;
- c) Transfer merchandise from one unit of transport to the other without the proper authorization;
- d) Failure to meet deadlines or transit out of the established routes without justification;
- e) Falsify or alter information in the “Declaration”;
- f) Failure to comply with other provisions established in this regulation; and,
- g) Any offence not contemplated in this regulation will be governed by each of the country’s national legislations.

Article 33 -

Given the evidence of the existence of a violation, misdemeanor or felony in the course of an International Customs Transit operation or during the same, involving tax or administrative

responsibility for the carrier or the consignee, the customs authority may withhold or order the apprehension of the transport unit in question or its' merchandise.

When applicable the apprehension or detention of the transport unit and / or goods, the carrier or consignee may request an authorization to guarantee to be financially sufficient, satisfactory to the competent customs authorities to obtain the release of the unit transport and / or goods, while the administrative or judicial proceedings continue.

Current State											
PAISES	Tax Areas & Free Zones	Border Crossing	Required Documents at Borders	Fumigation	Freedom of Movement	Assaults	Post-Assault Action	Income Taxes	Domestic Cabotage	Insurance	Colon Free Zone
Panama	No Restrictions. All Centralamerican carriers have access.	The process is agile in Paso Canoas. However, it would be better and more efficient if some new infrastructure is introduced (Ex. New Customs Building Project)	<ul style="list-style-type: none"> • Electronic Guide • Vehicle record • Licence • Carrier ID • History of route • Waybill • Manifest • Invoice 	It is worth \$8.00 and it is farely quick.	TOTAL	NONE	NONE	Are not charged to any International Carrier	Is prohibited for any carrier that is not Panamanian. This is established by the Resolution #65-2001. .	Panama offers the best insurance coverage (\$15.00) and the process is quick.	There are restrictions for Panamanian carriers.
Costa Rica	Prohibits Panamanian carriers to pick up cargo since December 3, 2007	Slow in Paso Canoas but terrible in Peñas Blancas. Very long lines and waiting times. The process only speeds up if some "Blessings" in cash are made.	<ul style="list-style-type: none"> • Electronic Guide • Vehicle record • Licence • Carrier ID • History of route • Waybill • Manifest • Invoice 	It is worth \$8.00 and it is farely quick.	"Selective" police revision of documentation that speeds up with bribes	Fourteen container assaults registered from November 2011 to March 31st 2012	In Paso Canoas they do not release the trucks until all Custom taxes are payed. Also, they do not accept the formal releases of trucks from the department of investigation.	Are not charged to any International Carrier	Costarican drivers practice it in Panama. There is no Authority that regulates this. They apply their own tariffs.	It is worth \$18.00 but apparently it doesn't have a good, reliable coverage. In case of accident the carrier cannot keep hauling until a trial is made. The carrier has to plead guilty in order to finish its haul on time.	The trucking associations prohibit the entrance of Costarican carriers . This violates the FTA chapter where it states the disloyal practices of trade and it is done as an act of reciprocity.
Nicaragua	Prohibits Panamaninan carriers to pick up cargo.	Fairly good. However they insist on asking for a TIM form (\$6.00) when carriers are returning empty.	<ul style="list-style-type: none"> • Electronic Guide • Vehicle record • Licence • Carrier ID • History of route • Waybill • Manifest • Invoice 	It is worth \$7.00 and it is farely quick.	Marked revision by police and customs of trucks coming from Panama. There is also a random narcotic check (\$30-\$100) where they even open the container's seal for the check.	NONE	No evidence.	Are not charged to any International Carrier	Every now and then Nicaraguan carriers practice it in Panama.	It is worth \$12.00 and apparently it is a good coverage.	The trucking associations prohibt the entrance of Nicaraguan carriers . This violates the FTA chapter where it states the disloyal practices of trade and it is done as an act of reciprocity.

Honduras	Doesn't allow cargo to be pickes in Free Zones	Fairly good coming in from Nicaragua. The border to Guatemala is a little more slow.	<ul style="list-style-type: none"> • Electronic Guide • Vehicle record • Licence • Carrier ID • History of route • Waybill • Manifest • Invoice 	N/R	7 police road blocks at road parallel to the Gulf of Fonseca. Bribes in each road block	Not many assaults if the road of the Gulf of Fonseca is taken. Assaults increase with cargo destined to Tegucigalpa	Drivers have been injured, sometimes total lost due to robbery, few times has the truck been recuperated.	Are not charged to any International Carrier	No evidence.	NONE	The trucking associations prohibit the entrance of Hondurian carriers . This violates the FTA chapter where it states the disloyal practices of trade and it is done as an act of reciprocity.
El Salvador	No Restrictions. However, these areas have no cargo to export since they are not transfer/cross dock areas for re-exportation	No problems in the process of crossing the border of San Bartolo (entrance.) However, there is a customs' custody (\$380.00) from the border to San Salvador due to insecurity.	<ul style="list-style-type: none"> • Electronic Guide • Vehicle record • Licence • Carrier ID • History of route • Waybill • Manifest • Invoice 	N/R	TOTAL	"Armed" escorts (\$350.00) are needed to transport cargo from the border to the capital and viceversa.	The official investigations are rarely successful. The danger from "The Maras" is evident.	15% of the value of the cargo is charged to Panamanian carriers	Every now and then Salavadorans carriers practice it in Panama.	NONE	The trucking associations prohibit the entrance of Salvadorian carriers . This violates the FTA chapter where it states the disloyal practices of trade and it is done as an act of reciprocity.
Guatemala	Even though there is no official resolution it is prohibited for Panamanian carriers to pick up load. These areas are not transfer/cross dock areas.	No fiscal bonds. Goods need to be stored at container until customer takes it.	<ul style="list-style-type: none"> • Electronic Guide • Vehicle record • Licence • Carrier ID • History of route • Waybill • Manifest • Invoice 	N/R	TOTAL	The presence of two bands "The Zetas" and "The Maras" is evident. Both bands work together for the trade assaults.	The official investigations are rarely successful. The danger from "The Maras" is evident.	Are not charged to any International Carrier	Every now and then Guatemalan carriers practice it in Panama.	NONE	The trucking associations prohibt the entrance of Guatemalan carriers . This violates the FTA chapter where it states the disloyal practices of trade and it is done as an act of reciprocity.