



**ENGLISH LANGUAGE TRANSLATION
FROM SPANISH VERSION**

Panama Canal Authority

Independent Auditor's Report

Summary of Technical Scores Obtained by Each Consortium
in the Tender for the Design and Construction of the
Third Set of Locks

June 30, 2009

Deloitte - Panama

Panama Canal Authority

Independent Auditor's Report and Summary of Technical Scores Obtained by Each Consortium

June 30, 2009

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Panama Canal Authority

We have examined the technical proposal evaluation report at June 30, 2009, of the tendering process #76161 for the design and construction of the Third Set of Locks of the Panama Canal Authority under Tender No. 76161. The Administration of the Panama Canal Authority is responsible for this report. Our responsibility is to express an opinion based on our examination.

Our examination was conducted in accordance with attestation standards established by the International Audit and Assurance Standard Board (IAASB). Our audit included examining, on a test basis, evidence supporting the technical evaluation report, and performed other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, the summary of technical scores obtained by each consortium presents, in all material respects, the results of the technical proposal evaluation in the contractor selection process for the design and construction of the third set of locks, in accordance with the Panama Canal Authority's Acquisition Regulations and the evaluation criteria in the Request for Proposals of Tender No.76161.

Deloitte (signed)

July 7, 2009
Panama, Rep. of Panama

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**Summary of Technical Scores Obtained by Each Consortium
Tendering Process #76161 for the
Design and Construction of the Third Set of Locks
June 30, 2009**

Name of the Consortium	Technical Score Obtained	Percentage of Maximum Score Obtained
Bechtel, Taisei, Mitsubishi Corporation	3789.5	69%
C.A.N.A.L.	3973.5	72%
Grupo Unidos por el Canal	4088.5	74%
Maximum Obtainable Score	5,500.0	100%

The accompanying notes are an integral part of this report.

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Notes to the Summary of Technical Score Obtained by Each Consortium
June 30, 2009

1. General Information

The Panama Canal Authority (PCA) is an autonomous agency of the Government of Panama, established in conformity with Article 316 of the Political Constitution of the Republic of Panama. The PCA is responsible for the administration, operation, conservation, maintenance, modernization, and other related activities of the Panama Canal (the Canal), that are necessary to ensure the safe, uninterrupted, efficient and profitable operation of the Canal in accordance with the constitutional and legal regulations in effect. The PCA has its own patrimony and the right to manage it. The PCA was organized on June 11, 1997 under Law No.19 (Organic Law).

With the expiration of the 1977 Torrijos-Carter Treaty at noon on December 31, 1999, the Panama Canal reverted to the Republic of Panama free of debts and liens, becoming an inalienable patrimony of the Republic of Panama, open to the peaceful and uninterrupted passage of vessels of all nations and whose use will be subject to the requirements and conditions established by the Political Constitution of Panama, the Organic Law of PCA, and its management.

2. Declaration of compliance

The technical proposal evaluation report at June 30, 2009, for the tendering process #76161 to select the contractor for the design and construction of the Third Set of Locks, was prepared in accordance with the Acquisition Regulations of the Panama Canal Authority, approved by its Board of Directors, and the evaluation criteria in the Request for Proposals of Tender No.76161 of December 21, 2007 and their respective amendments.

3. Canal Expansion Program

The Panama Canal Expansion Program consists of three components: 1) the design and construction of the third set of locks, 2) the construction of access channels to the new locks and the widening of the existing channels, and 3) the deepening of existing navigational channels and raising the maximum operating level of Gatun Lake. The design and build of the third set of locks is the main component of the Expansion Program and includes the construction of two new set of locks complexes, one on the Atlantic and one on the Pacific side of the Canal.

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The objectives of the Canal expansion are: to achieve long-term sustainability and growth for the Canal's contributions to Panamanian society through payments it makes to the National Treasury; maintain the Canal's competitiveness as well as the value added by Panama's maritime route to the national economy; increasing the Canal's capacity to capture the growing tonnage demand with the appropriate levels of service for each market segment; and, making the Canal more productive, safe and efficient.

The Program will have an estimated cost of approximately US\$5,250 million which includes provisions for contingencies and inflation during the construction period. Inflation was estimated at an annual growth rate of 2%. The project will be financed with a combination of capital contributions from the PCA and outside funding to be contracted provisionally by the PCA without the guarantee from the State. The funding will be secured solely by the cash flows to be generated by this program. This investment is expected to be recovered through tolls charged by the Canal.

External financing amounts to US\$2,300 million and was obtained from the following multilateral and bilateral agencies:

The European Investment Bank (EIB)	\$500 million
The Japan Bank for International Cooperation (JBIC)	\$800 million
The Inter-American Development Bank (IDB)	\$400 million
The International Finance Corporation (IFC)	\$300 million
The Andean Development Corporation (ADC)	\$300 million

The execution of the Panama Canal Expansion Program began on fiscal year 2007 and will last a maximum of 8 years with probable date of completion on the year 2014.

The program is divided into five areas:

- Program management and administration, including advisory services and environmental impact studies;
- Pacific Access Channel;
- Navigation Channel improvements;
- Design and construction of new locks and;
- Water supply improvements.

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4. Tender Process

On August 27, 2007, the PCA published the Request for Qualifications to begin the prequalification process of contractors interested in the design and construction of new locks. The qualification submission period ended on October 29, 2007.

On December 14, 2007, the PCA announced that four consortia had met the requirements for prequalification:

- C.A.N.A.L.
- Atlántico-Pacífico de Panamá
- Bechtel, Taisei, Mitsubishi Corporation
- Grupo Unidos por el Canal

The consortia are comprised of construction companies around the world representing 13 countries in Asia, Europe and America.

On December 21, 2007, the PCA released the Request for Proposals of Tender No. 76161 for the design-build contract of the third set of locks using the Non Negotiated Tender on Best Value procedure for selecting the contractor. In 2008, over 50 meetings were conducted with prequalified consortia and 24 amendments were issued to the Tender, the latest being on February 2009.

On March 3, 2009, by means of a public ceremony, three of the four prequalified consortia submitted their proposals in two sealed and stamped parts; one with the technical proposal and one with the price. The consortia that submitted proposals were Bechtel, Taisei, Mitsubishi Corporation; C.A.N.A.L.; and Grupo Unidos por el Canal. The envelope containing the price proposal of each consortium was closed and sealed in the security vault of the National Bank branch in Balboa.

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5. Acquisition Regulation

The Board of Directors of the PCA, through Agreement No. 24 of October 4, 1999, established standards and procedures applicable to the contracting or acquisition of works, goods and services required for the operation, maintenance, conservation, modernization and expansion of the Panama Canal.

Among its standards, the contracting system emphasizes that it should: guarantee sufficient or superior quality, more favorable prices, and more suitable delivery or compliance with work performance, acquisition of goods, or provision of services in the most favorable terms.

The contracting system is based on the following:

- Efficient and expeditious acquisition of goods and services.
- Decentralized delegation of contracting authority.
- Promotion of full and open competition on purchases and contracts.
- Reasonable flexibility in designs and specifications, to promote contractor participation, without adversely affecting the quality of work.
- Impartial decisions.
- Equity in the relations with contractors.
- Post auditing of all expenses.
- Reasonable flexibility within adequate parameters to decide emergency situations.

The Administrator, in accordance with the policies of the Board of Directors and the provisions of the Acquisition Regulations, shall issue the instructions and adopt the internal procedures that will implement the provisions therein.

Following are the PCA's Acquisition Regulations for the main features of Non Negotiated Tender based on Best Value process, which will be used to select the contractor for the Third Set of Locks:

- *The technical and price proposals shall be submitted in separate, closed, and sealed envelopes and received in public. The Tender Security, whenever it is required in the Request for Proposals, shall be included in the technical proposal.*
- *The envelopes containing the price proposals shall be kept closed, sealed and duly safeguarded until the evaluation of the technical proposals has been completed.*

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- *The opening of the technical proposals shall be limited to the participation of the persons indicated in the Request for Proposals. Detailed minutes of the opening proceedings shall be taken, and the contracting officer shall deliver the technical proposals to the Technical Board for their evaluation.*
- *The contracting officer shall appoint the members of the Technical Evaluation Board and a Price Verification Board who shall be personnel of the Authority. The Technical Evaluation Board shall evaluate the technical proposals and the Price Verification Board, separately, shall verify the calculation and other elements of the price proposals only after the completion of technical evaluations and when the opening of price proposals has taken place. These boards shall evaluate the proposals based only on the criteria and score established in the Request for Proposals and shall abstain from making recommendations.*
- *The Technical Evaluation Board, whenever it may deem necessary due to the complexity of a subject matter, may request to the Contracting Officer the professional advice from the Authority's experts, who have been contracted by the Authority before or during the evaluation process, with the purpose of increasing their knowledge with respect to matters contained in the proposals.*
- *The Technical Evaluation Board shall verify that the technical proposals fulfill the requirements established in the Request for Proposals, and shall evaluate the technical proposals according to the score and criteria assigned to each of the elements in the Request for Proposals. The price proposals shall be verified by the Price Verification Board according to the criteria established for that purpose in the Request for Proposals.*
- *The contracting officer may request from the tenderers, at any time during the technical evaluation process, by own initiative or at the Technical Evaluation Board's request, clarifications and additional information deemed convenient to evaluate the technical proposals, in order to, if there is merit in his opinion, give the tenderers the opportunity to review, correct, or clarify their technical proposals. The technical proposals that maintain exceptions or conditions, or do not fulfill the requirements established in the Request for Proposals shall not be considered for award and the corresponding price proposals shall not be open.*
- *The Authority may change the requirements of the Request for Proposals after the date and time established for the submission of tenders, and before the opening of the price proposals as long as such changes respond to variations in the needs of the Authority and do not modify the object of the contract. In such cases, the Contracting Officer may request the submission of new technical and price proposals to those tenderers that originally submitted proposals, and shall return the original price proposals submitted inside their sealed envelopes.*

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- *Upon receiving the technical evaluation report, the contracting officer shall verify that the evaluation was conducted in accordance with what is established on the Request for Proposals. If the contracting officer deems that the evaluation does not meet the requirements of the Request for Proposals, he shall return the report to the Technical Evaluation Board along with his observations. The Technical Evaluation Board shall review and analyze the Contracting Officer's observations, make the corrections deemed necessary, and shall send its final report to the contracting officer.*
- *Once the final report from the Technical Evaluation Board is received, the Contracting Officer shall communicate, through an amendment, the date, time and place for the public ceremony of the price proposals.*
- *In the public opening ceremony of the price proposals, the contracting officer shall open the envelope containing the amount allocated to the tender process and shall announce it to all persons present; shall disclose the scores resulted from the technical evaluation; and shall open the price proposals. The resulting scores of the price and technical evaluation shall be reflected on a summary table with their respective weightings.*
- *After the opening of the price and technical proposals described above, the Contracting Officer, together with the Price Evaluation Board, shall analyze the price proposals and the Contracting Officer shall award the contract to the tenderer who submitted the best value proposal, provided that its price proposal does not contain any conditions or exceptions and is not onerous.*

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6. Statements of Qualifications and Evaluation Criteria

The Request for Proposals in Tender No.76161 for the design and construction of the third set of locks, defined the evaluation criteria and the maximum obtainable score for each evaluated element in Volume IV. Volume IV also mentioned that general project requirements under paragraph 1.02 of section 01 10 00 must be regarded as critical to the tender; failure to comply with these requirements would result in the tender being regarded as non-responsive, and would therefore cause the tender to be rejected in total. Volume V of the Request for Proposals stated the manner in which tenderers should prepare and submit their proposals.

Certain elements defined within the RFP require the Tenderers to submit concepts and work approaches that may be different relative to each other but are proposed by the respective Tenderer to meet the performance specifications or requirements of the Contract. These elements have a maximum point determination to which an Evaluation Grade will be assigned by evaluators. The Evaluation Grades and how they are determined are as follows:

Excellent: The proposal exceeds in a significant manner the Employer's requirements and provides exceptional added value to the Employer. There is little or no risk that the proponent can fail to meet the requirements of the Contract.

Very good: The proposal exceeds the Employer's requirements and provides added value to the Employer. There is little or no risk for the Tenderer to fail to satisfy the requirements of the Contract.

Good: The tenderer demonstrates good approaches that comply with the Employer's requirements. There is a slight potential risk for the tenderer to fail to satisfy some of the requirements of the Contract.

Marginal: The approaches offered by the tenderer have deviations from the Employer's Requirements. There is doubt that the proponent may succeed to satisfy the requirements of the contract.

Deficient: The Tenderer demonstrates approaches that contain major weaknesses. The Tenderer's proposal failed to comply with the Employer's Requirements, or lacked clear, relevant, and critical information. There is a high risk that the Tenderer may fail to satisfy requirements of the contract.

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The following table details the percentage of the maximum score per element obtained by the Tenderers for each evaluation grade assigned.

Table 1: Adjective descriptions for qualitative technical criteria	
Evaluation Grade	Percentage
Excellent	100%
Very good	90%
Good	70%
Marginal	60%
Deficient	20%

The score for each evaluation element was the result of consensus from all the members within each team in the Technical Evaluation Board. That is, each evaluation team decided by consensus the score for each element of evaluation. The Request for Proposals for the design and build of the third set of locks granted a maximum of 5,500 points out of a total of 10,000 points for the best technical proposal.

The evaluation of the price proposals will be done by assigning maximum score to the lowest total base price (4,000 points) and maximum score to the lowest total provisional sums (500 points). Each of the remaining Tenderer's total base price and total provisional sums scores will be obtained by dividing the lowest price proposal between the Tenderer's price proposal and by multiplying each result by the maximum obtainable score.

The Tenderer that obtains the highest score among the technical evaluation, the total base price and the total provisional sums shall constitute the best value proposal.