



ARANGKADA PHILIPPINES

A Project of the Joint Foreign Chambers of the Philippines



USAID FROM THE AMERICAN PEOPLE

# Seaports and Shipping

Policy Brief No. 9  
September 2018



Chamber of Customs Brokers, Inc.  
PRC Certificate of Accreditation No. AIPO-036



## AUTHORS

---



**MS. DORIS MAGSAYSAY HO** is President and CEO of A. Magsaysay which has a network of offices in the Philippines, Asia, North America, and Europe. Its activities involve shipping, hospitality and tourism, transport and logistics, healthcare, oil and gas and specialized engineering, and trade. Doris also serves as Chair, Director, Trustee or member of various organizations such as Lorenzo Shipping, Fairmont Shipping, Makati Business Club, Philippine Interisland Shipping Association, Steamship Mutual Underwriting Association, The National Corn Competitiveness Group, Asia Society Philippine Foundation, Asia Society (New York), Metropolitan Museum Manila, The Hague Process on Refugees and Migration, First Philippine Conservation, World President's Organization, and IPO Philippines Advisory Council.

In November 2015, the Office of the President of the Philippines conferred upon her the Order of Gawad Mabini with the rank of Commander. Doris awarded Asia CEO's Global Filipino Executive of the Year in 2012, Lloyd's Asia's Lifetime Achievement Award in 2011, the Outstanding Manila Award in 2005, and Ernst & Young's Social Responsible Entrepreneur Award in 2004. In 2015 she chaired the APEC Business Advisory Council and presented its report during the APEC leaders summit in Manila.



**MR. HENRY J. SCHUMACHER** is President of the European Innovation, Technology and Science Centre and Executive Vice President of the Management Center Asia. He is one of the pioneers of the European Chamber of Commerce of the Philippines.

Mr. Schumacher has held various positions in several Europe-based companies, most notably serving as CEO of the Hoechst Group of Companies in the Philippines, where he worked for over 24 years.

Mr. Schumacher's affiliations include being a member of the Makati Business Club, Manila Polo Club, and the Alumni Organization of the INSEAD Business School. He participated in various executive program courses at Giessen University in Germany and the INSEAD Business School in France.



**MS. BETTINA BAUTISTA** is an advocacy and research specialist at the *Arangkada* Philippines Project. She previously worked on an advocacy project with the Foundation for Economic Freedom on increasing competition in public services.

Ms. Bautista took her master's degree in Political Economy majoring in international relations and development under a full scholarship at the University of Asia and the Pacific. She wrote her masters thesis on Philippine port governance entitled: *Finding the Right Fit: The Case of Port Governance of the Philippine Ports Authority Port Network as it Affects Port Performance*. She presented her thesis to the Philippine Political Science Association

in Cebu City, of which she is also a member. Her paper qualified for the international conference of the International Association of Maritime Economists in Kyoto, Japan. Ms. Bautista received the Dr. Klaus Zeller research grant to pursue her masters thesis on Philippine seaports.

## TECHNICAL ADVISER

---



**MR. MICHAEL KURT RAEUBER** is the brain of the Royal Cargo Company, which he started in 1978 in his early twenties. From a small firm in the late 70's, he strategically, "brick by brick" as he calls it, built a sturdy and continuously expanding group of companies that offers total logistics solutions and the only multinational Philippine-based logistics company in the country.

Aside from his work as the Royal Cargo's CEO, Michael also serves as the Co-vice Chairman of the Integrity Initiative, a non-stock, non-profit organization engaged in helping the government combat corruption, providing a level playing field for investors and minimizing unemployment in the country. He is also the Chairman for

Infrastructure and Transportation Committee of the European Union – Philippines Business Network (EPBN). Michael also previously served as President of the European Chamber of Commerce of the Philippines (ECCP).

For the past 40 years, Michael has steered the Royal Cargo group of companies to immense growth and success, both in the Philippines and globally. He is currently engaged in P1.2 billion expansion which includes construction of a warehouse and cold storage facility in the North Luzon area, the purchase of a vessel for domestic freight operations, and purchase of massive cranes for heavy lift and erection services. He was named Asia CEO Award's Expatriate Executive of the Year (2015) for his achievements in the field of logistics.



# TABLE OF CONTENTS

I. INTRODUCTION AND SUMMARY .....	1
II. THE ROLE OF PORTS AND SHIPPING IN THE ECONOMIC GROWTH OF THE PHILIPPINES: OPPORTUNITIES AND CHALLENGES .....	2
III. TRADE IMBALANCE .....	3
IV. DEVELOPING REGIONAL ECONOMIC CLUSTERS .....	6
V. PORT DEVELOPMENT .....	9
VI. DEVELOPING A “BLUE ECONOMY” .....	11
The Philippine maritime services .....	11
Ship building and repair .....	13
VII. UNLOCKING POTENTIAL OF CRUISE TOURISM .....	14
The Philippines opportunity .....	15
The Philippines as a homeport .....	15
The Philippines as a destination .....	16
VIII. GOVERNANCE AND LEGISLATION .....	18
A. Governance of seaports and conflict of interest .....	18
B. Governance of shipping: Who is in charge? .....	19
C. Safety and security: Who is in charge? .....	20
D. Legislative reform .....	21
IX. CONCLUSION .....	24
BIBLIOGRAPHY .....	25

## LIST OF TABLES & FIGURES

<b>Figure 1</b> : Drivers of global trade	2	<b>Figure 13</b> : ASEAN-6 Quality of ports rankings, 2008-2018	10
<b>Figure 2</b> : Container shipping throughput index, January 2007-February 2017	2	<b>Table 2</b> : ASEAN-6 world port rankings (by total cargo volume), 2015	10
<b>Figure 3</b> : Intra-Asia trade in East Asia and Pacific	2	<b>Figure 14</b> : ASEAN-6 cost to export, 2005-2014	10
<b>Figure 4</b> : Intra-Asia container volume forecast, 2014-2020	2	<b>Box B</b> : Top 10 nationalities of seafarers	12
<b>Figure 5</b> : Philippine and Vietnam, export of goods, 2014, 2016, 2017	3	<b>Box C</b> : Largest Philippine shipyards	13
<b>Figure 6</b> : Export of goods, ASEAN-6	4	<b>Figure 15</b> : Source of cruise tourism demand, 2014-2016	14
<b>Figure 7</b> : Philippine trade deficit, 2012-2018	4	<b>Table 3</b> : Cruise calls, ASEAN-6, 2013-2015	14
<b>Figure 8</b> : ASEAN-6 trade balance, 1996-2016	4	<b>Figure 16</b> : Star Cruises itinerary	15
<b>Box A</b> : Why is domestic shipping in the Philippines expensive?	5	<b>Box D</b> : Major Asian homeports	16
<b>Figure 9</b> : The California wine cluster	7	<b>Table 4</b> : List of Philippine ports assessed for cruise tourism potential, 2015	17
<b>Figure 10</b> : Thailand’s economic clusters	7	<b>Figure 17</b> : Maritime accidents (by type), 1972 to 2010	20
<b>Figure 11</b> : Thailand’s economic clusters	8	<b>Figure 18</b> : Maritime accidents, 1972-2010	21
<b>Table 1</b> : Value of top 10 principal exports, 2015	8	<b>Figure 19</b> : Traditional shipping vs. RO-RO	22
<b>Figure 12</b> : ASEAN-6 container port traffic, 2000-2016	9	<b>Table 5</b> : Maritime and related reforms in the 17 <sup>th</sup> Congress	23

### POLICY BRIEF EDITORIAL TEAM:

Editor-in-Chief: **John D. Forbes**

Economic Researcher: **Charles John P. Marquez**

Cover: **Christina Maria D. Tuguigui**

Managing Editor: **Aimee Bettina T. Bautista**

Research Assistant: **Brittany Nicole C. Aguilar**

Layout: **Mary Grace Dilag-Mojica**

# A POLICY BRIEF ON PHILIPPINE SEAPORTS AND SHIPPING

## I. INTRODUCTION AND SUMMARY

As an archipelago, the Philippines is extremely dependent on marine transport both to connect its major islands as well as its economy to the dynamic Asian region and the world. Thus the quality of our ports and connecting road and rail infrastructure, ships, seafarers, safety and security, and laws and regulations determine the ability of the Philippines to capitalize on the sea.

By prioritizing and concentrating policies and programs more on its “Blue Economy” (which includes fishing) the Philippines can take full advantage of its opportunities, solve more of the challenges it faces, and become a maritime power in the region and beyond.

In terms of seafarers, the country already is world class, with a very substantial maritime educational infrastructure and a very large deployed and deployable workforce. Filipinos manning cruise ships and freighters are as recognizable as Philippine nurses and doctors in foreign hospitals.

However, at the other extreme, the quality of Philippine ports, as measured by the World Economic Forum (WEF) in its most recent index,

was ranked sixth among the ASEAN-6 and 113<sup>th</sup> of the 137 countries rated.

This brief is not comprehensive. It does not discuss every aspect of such a large subject as the Blue Economy. A key concept advocated in the brief is that the Philippines should become a major exporting nation. Instead, its imports fast rising while export growth is stagnant. Ports follow trade. With low trade volume, even from Manila, the largest and most cost-efficient container ships will not visit the country. Export hubs have been created around industry clusters in many countries, for example automobiles in Thailand and footwear and smartphones in Vietnam. This paper describes several opportunities for the Philippines to create future clusters.

It is important for the country to move away from its over-dependence on consumption as the main economic driver. It is time to develop aggressive strategies to drive employment within the Philippines and to increase exports of specific agricultural and manufacturing sectors where the Philippines is globally competitive. This report spotlights the need to understand that the country’s trade ambition and scale of production should drive seaports and logistics, with shipping responding to market demands. The high Philippine potential to further develop ship building, maritime services, and cruise tourism towards creating a “Blue Philippines” in the near future is discussed.

This policy brief reflects discussion and recommendations at a roundtable held at AmCham in February 2018 and inputs from the moderators and key speakers at the roundtable, authors, and other experts. Recommendations are found at the end of each section.



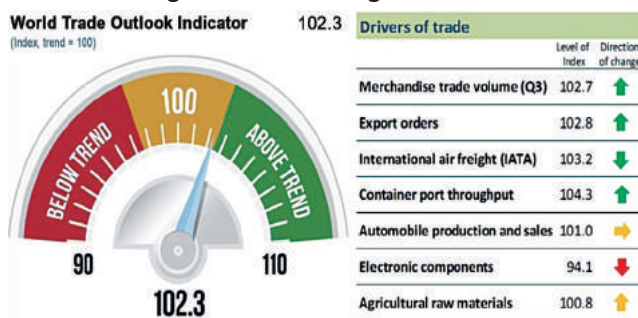
Source: Manila Bulletin

## II. THE ROLE OF PORTS AND SHIPPING IN THE ECONOMIC GROWTH OF THE PHILIPPINES: OPPORTUNITIES AND CHALLENGES

“Maritime transport is the backbone of international trade and a key engine driving globalization and competitiveness. Around 80% of global trade by volume and over 70% by value is carried by sea.<sup>1</sup>”

The importance of the maritime transport sector to the economy of an archipelagic state such as the Philippines cannot be overemphasized. Despite a slowdown of overall global trade volume, maritime freight continues to follow an upward trend.

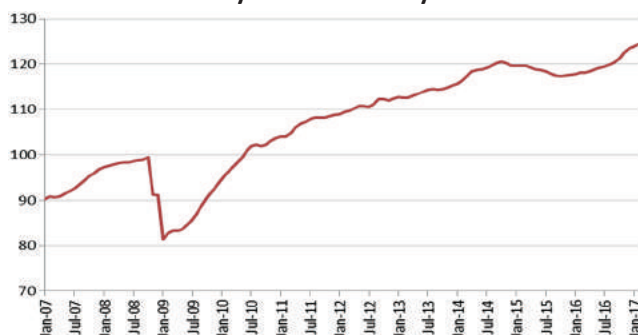
Figure 1: Drivers of global trade



Source: World Trade Outlook Indicator, WTO, 2018

Among global drivers of trade, container throughput received the highest level of index positive trending under the WTO’s recent assessment in February 2018 (See Figure 1). Container shipping throughput also continues to have an upward trend despite a recent slow-down of global trade from 2015 (See Figure 2).

Figure 2: Container shipping throughput index, January 2007 - February 2017

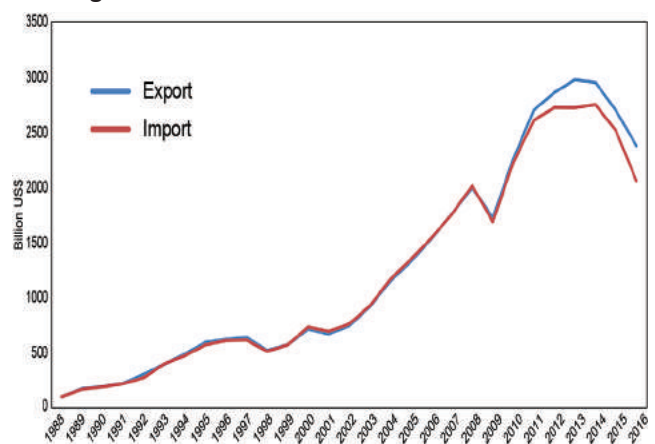


Source: Institute for Shipping Economics and Logistics

Among major shipping routes and trade markets, intra-Asia trade remains to be the highest volume container shipping market in the world. Intra-Asia trade experienced an upward growth trend until 2015. Intra-Asia trade transacts mostly between two major east–west routes (Trans-Pacific and Asia-Europe).

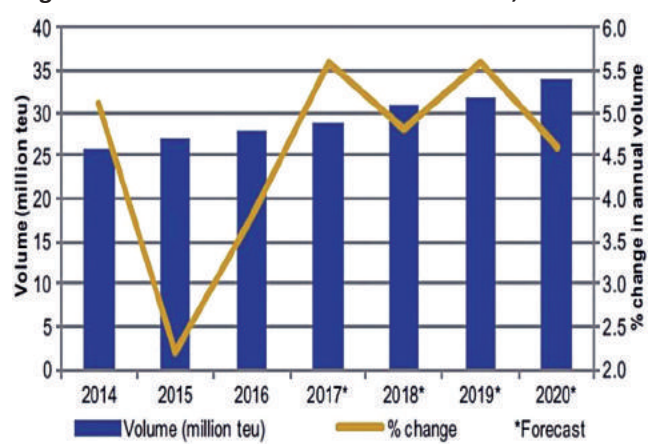
Most intra-Asia trade is quickly driven by the production of components (e.g. circuit boards, silicon, and car parts) assembled in a manufacturing Asian country before the products are shipped to foreign markets globally (Knowler, 2018).

Figure 3: Intra-Asia trade in East Asia & Pacific



Source: World Integrated Trade Solution

Figure 4: Intra-Asia container volume forecast, 2014-2020



Source: IHS Markit

1 Maritime Industry Authority, 2013

The projected increase in intra-Asia container volume is 4.5 to 5.5% until 2020, equivalent to around 32-33 million TEUs. This is due to consistent economic growth in Asia. According to Dr. Changyong Rhee, Director of the Asia and Pacific Department at the IMF, signs of growth in Asia are very promising, but challenges lie in strengthening and sustaining the momentum. Another major driver of the high volume of intra-Asia trade is the rise of e-commerce platforms such as Alibaba, Amazon, and LAZADA.<sup>2</sup>

### III. TRADE IMBALANCE

The Philippines is better known for the export of overseas workers and the Business Processing Industry (BPO) than manufactured goods. The term “Made in the Philippines” is not widely seen on goods consumed outside the Philippines and decreasingly on goods consumed in the Philippines. Economic growth, which averaged 6.7% in 2017, was comprised of services (58%), industry (34%), and agriculture, hunting, forestry, and fishing (9%).

The BPO industry in the Philippines began with simple data management services in the late ‘80s. With the internet providing online connectivity to the US, the industry exploded to become one of the largest in the world. In 1995, the Special Economic Zone Act establishing the Philippine Economic Zone Authority created attractive incentives to both foreign manufacturing and BPO firms to locate in the country.

Another service sector that exploded beginning four decades ago was the exodus of Overseas Filipino Workers (OFWs), now found around the globe sacrificing to remit their earnings to families at home. Combined with a slowdown in export manufacturing and neglect of the agricultural sector, the service sector has become dominant in the economy and has produced consumption-driven growth, eclipsing development of a competitive goods exporting sector. OFW remittances reached US\$ 28 billion in 2017, while the BPO industry generated US\$ 25 billion revenue the same year.

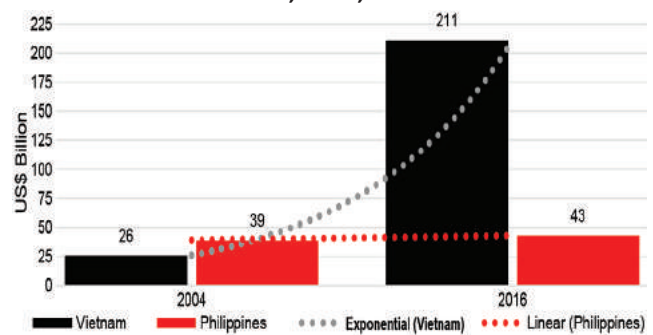
Given the positive prospects surrounding trade especially in the Asian region, it becomes more important that the Philippine maritime sector ensures safety, enhances efficiency, and is competitive globally. The Philippine ports and shipping sector supports national development and serve as a vital partner in the supply chain of domestic and regional trade and provides connectivity for people and goods and access to markets.

Growth of the BPO industry is slowing down. Soon it could be close to the growth rate of OFW remittances (4 to 5%).

Philippine total exports of goods amount of US\$ 63 billion includes a large amount of imported raw materials, especially for electronics, the largest export subsector. The Philippines usually adds labor to imported materials, which are not available domestically in adequate supply, quality, and price.

Like other ASEAN-6 economies, the Philippines has an extensive network of industrial estates, fiscal, and other incentives for foreign manufacturers. However, competitors, especially Vietnam, offer lower labor costs, have fewer paid holidays, lower logistics cost, and subsidize electricity. Too often, the Philippines loses in the competition for cost-sensitive investors in manufacturing. By comparison, Vietnam had exponential as has success in increasing exports in the past decade (seen in Figure 5).

Figure 5: Philippine and Vietnam, export of goods, 2014, 2016, 2017



Sources: PSA, General Statistics Office of Vietnam

<sup>2</sup> As cited in Knowler, G. (2018). “Intra-Asia container shipping market intensifies.”



According to the World Bank Philippines Economic Update for 2017, neglect of manufacturing in the midst of the service industry boom was a “lost decade” for the Philippines:

“The sharp decline in trade integration in the Philippines in the 2000s largely reflected a “lost decade” for manufacturing, or the syndrome of a “premature deindustrialization.”<sup>3</sup>”

Other ASEAN-6 countries export substantially more than the Philippines. The Philippines exported a total of US\$ 63 billion, while other ASEAN-6 economies exported 3 to 6 times as much (see Figure 6).

Figure 6: Export of goods, ASEAN-6



Source: World Economic Forum, 2017

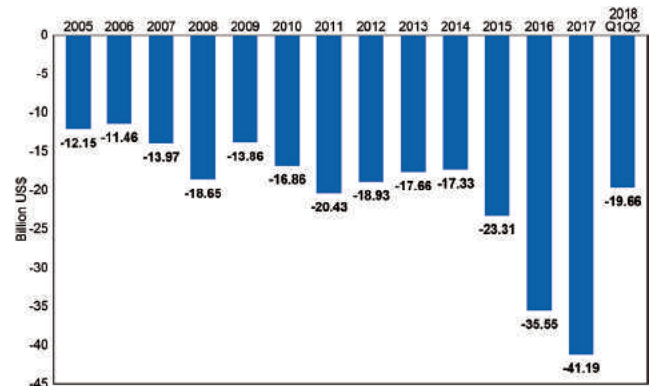
The World Bank Philippines Economic Update for 2017 also comments:

“The Philippines’ export basket has not changed substantially over the past decade. A product-space analysis reveals that the range of products exported by the Philippines has remained broadly constant over time. By contrast, China has successfully diversified its exports.”

The Philippines has been running a deficit in trade in goods for at least two decades (see Figures 7 and 8). In 2016, 2017, and the first half of 2018 the deficit ballooned to historic levels averaging US\$ 38.6 billion per year.

The combination of very large OFW remittances and BPO earnings is propelling imports of goods growing faster than the anemic growth of exports of goods (see Figure 7).

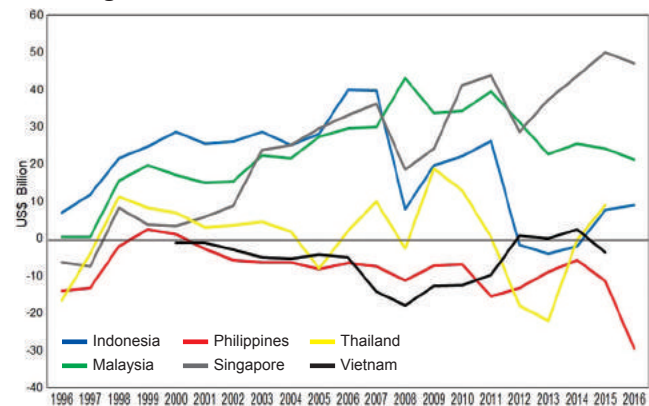
Figure 7: Philippine trade deficit, 2012-2018



Source: BSP

By contrast, the other ASEAN-5 economies rarely experience trade deficits and almost always have achieved high levels of trade surplus (see Figure 8).

Figure 8: ASEAN-6 trade balance, 1996-2016



Source: World Integrated Trade Solution

A large trade imbalance can have detrimental effects on Philippine sustainable development. *Arangkada* Philippines is concerned about the following effects of the growing trade imbalance of the country.

**Weakening of the Philippine peso.** Although the peso, like many developing country currencies, has weakened as the dollar strengthened as the US Federal Reserve raises interest rates, the trade deficit also is a factor. Demand for foreign exchange

to pay for imports has increased, thus adding to peso depreciation.

**A weak manufacturing sector can contribute to further uncompetitiveness.** ASEAN-6 neighbours have been expanding and diversifying their exports more than the Philippines. Large and diversified manufacturing sectors are more attractive to new investors because of their greater sophistication, R&D, and training support.

**Weak exports can raise shipping costs.** The large trade imbalance indicates that containers are entering ports full, while many are leaving empty. Some container owners, i.e. some shipping lines, have been charging importers questionable “empty container surcharge” fees.

**Box A: Why is domestic shipping in the Philippines expensive?**

**High fuel cost.** Fuel accounts for 40 to 50% of vessel operating cost. Fuel utilized by domestic ships is subject to duties and taxes. Other countries (e.g. Indonesia) provide fuel subsidies to domestic ships. While foreign ships refueling in the Philippines are not subject to duties and taxes.

**High cost of local drydocking.** A World Bank study shows that drydocking in the Philippines is 50% more expensive than elsewhere in the ASEAN region and 3.5 times more expensive than China. Domestic ships are required to undergo drydock in the Philippines under PD 1221. Allowing drydocking abroad will significantly reduce these costs.

**High cost of vessel acquisition.** Imported ships are subject to a 3% duty and 12% VAT; Incentives granted for shipbuilding do not apply to ships for domestic operation but are only to ships for export.

**High cost of vessel operation.** Domestic ships are obliged to maintain a high number of crew manning compared to counterparts abroad.

**Lack of economies of scale in the domestic shipping industry.** The majority of domestic shipping routes have very which, small volumes do not warrant an increase in the capacity or size of ships.

Source: *The Philippine Inter-island Shipping Association*

If Philippine ports want to attract larger ships, the economy should greatly improve trade conditions.

**RECOMMENDATIONS:**

- Expand range and increase volume of manufactured products including agricultural products.
- Reduce costs for exporters through holiday rationalization, more efficient, logistics, competitive fiscal incentives, lower corporate income tax, and competitive wages.
- Take steps against shipping lines that charge questionable empty container export charge fees.
- Seek a FTA with these large markets and the EU to allow better and permanent access for Philippine exports to the US.<sup>4</sup>
- The government should exempt certain duties and taxes for fuel used by domestic ships or provide a fuel subsidy.
- To address high cost of vessel acquisition, a credit facility should be created which would lower interest for vessel acquisition similar to the practices of Japan and South Korea.

Port of Subic



Source: *Subic Terminal Services Incorporated*



## IV. DEVELOPING REGIONAL ECONOMIC CLUSTERS

The different regions of the country have an important opportunity to identify and pursue their respective competitive advantages to drive their economies in the global economy. Regional leaders in business, civil society, and government should consider how a focused effort to ramp up productivity will determine whether the region will provide the jobs and opportunities for the prosperity of their people.

A strong regional policy for competitiveness is key. Like a nation, a region can set the strategic vision and ground rules to attract substantial investment with governance around intellectual property protection and the rule of law; as well as infrastructure, education, and health so that there is talent with skills needed for prioritized sector initiatives. A powerful way to drive productivity is for regional governments to work with their private sectors to promote cluster formation by strengthening and building upon existing or emerging clusters, where competitive advantage and product or service differentiation already exists.

According to Michael Porter (1998), clusters, by their nature, support productivity.

“Clusters are geographic concentrations of interconnected companies and institutions in a particular field. Clusters encompass an array of linked industries and other entities important to competition. They include, for example, suppliers of specialized inputs such as components, machinery, and services, and providers of specialized infrastructure. Clusters also often extend downstream to channels and customers and laterally to manufacturers of complementary products and to companies in industries related by skills, technologies, or common inputs. Finally, many clusters include governmental

and other institutions—such as universities, standards-setting agencies, think tanks, vocational training providers, and trade associations—that provide specialized training, education, information, research, and technical support.<sup>5</sup>”

Each cluster with a clear productivity outcome would also be able to design its infrastructure needs for logistics, including air and seaports in its vicinity. The cluster would benefit from economies of scale for costs like shipping, electricity, other utilities, raw materials, and other supply/value chain costs. The cluster would also drive the emergence of dynamism in innovation and start-ups supporting constantly evolving market demands.

Porter (1998) continues to define clusters using and Hollywood and Silicon Valley as perfect examples of clusters.

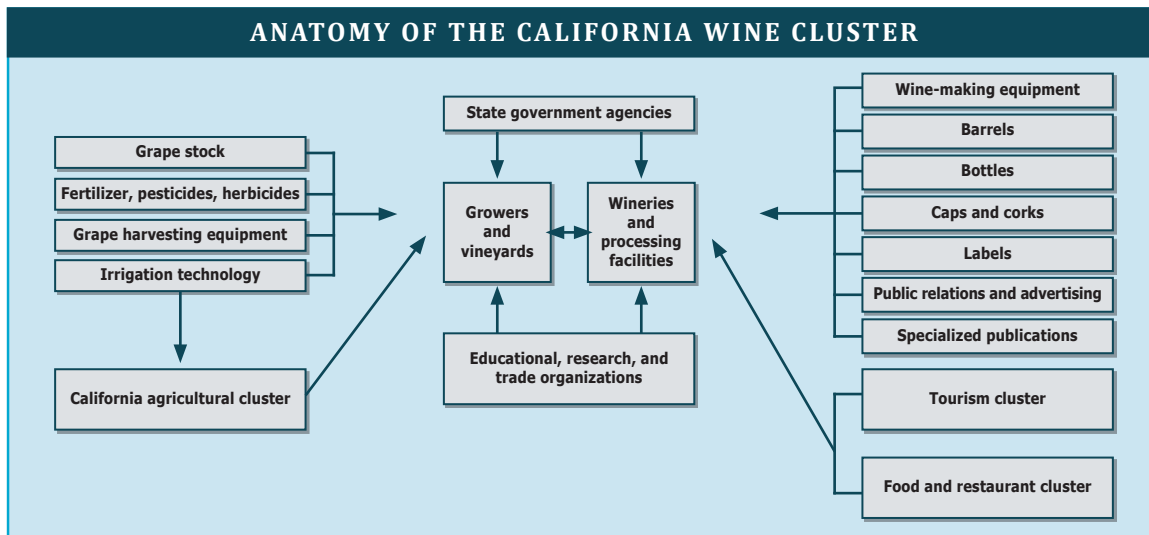
“Today’s economic map of the world is dominated by what I call clusters: critical masses—in one place—of unusual competitive success in particular fields. Clusters are a striking feature of virtually every national, regional, state, and even metropolitan economy, especially in more economically advanced nations. Silicon Valley and Hollywood may be the world’s best-known clusters. Clusters are not unique, however; they are highly typical—and therein lies a paradox: the enduring competitive advantages in a global economy lie increasingly in local things—knowledge, relationships, motivation—that distant rivals cannot match.”

The California wine cluster example includes 680 commercial wineries with a wide eco-system supporting its needs (see Figure 9). Here lies both

<sup>4</sup> The Philippines has FTAs with Japan and China and GSP+ with the EU. FTAs will protect exporters against future loss of GSP benefits.

<sup>5</sup> “Clusters and the New Economics of Competition” by Michael E. Porter, *Harvard Business Review* 1998.

Figure 9: The California wine cluster



Source: "Clusters and the New Economics of Competition" by Michael E. Porter, Harvard Business Review 1998.

the Philippine regional opportunity, on one hand, and the Philippine challenge, on the other, because working and planning collectively for a win-win outcome is essential.

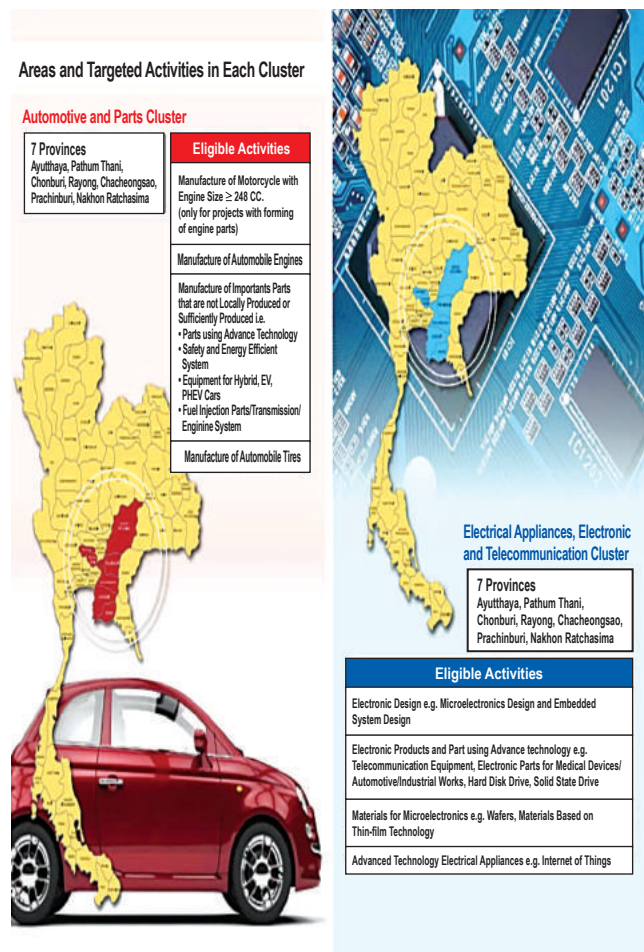
Within the ASEAN region, a good example of a country with a highly developed regional cluster system is Thailand. The cabinet and the Thailand Board of Investment proposed the Cluster-based Special Economic Development Zones Policy, which came into effect in 2015 with 5 clusters. Government gives industry-specific incentives to each cluster.

The National Science and Technology Development Agency (NSTDA), develops strategies to further grow Thailand's established clusters. The NSTDA describes this "cluster-based and cross-cutting research," which looks into how to improve each cluster through innovation, human resource development, and incentives to address future needs of each cluster.

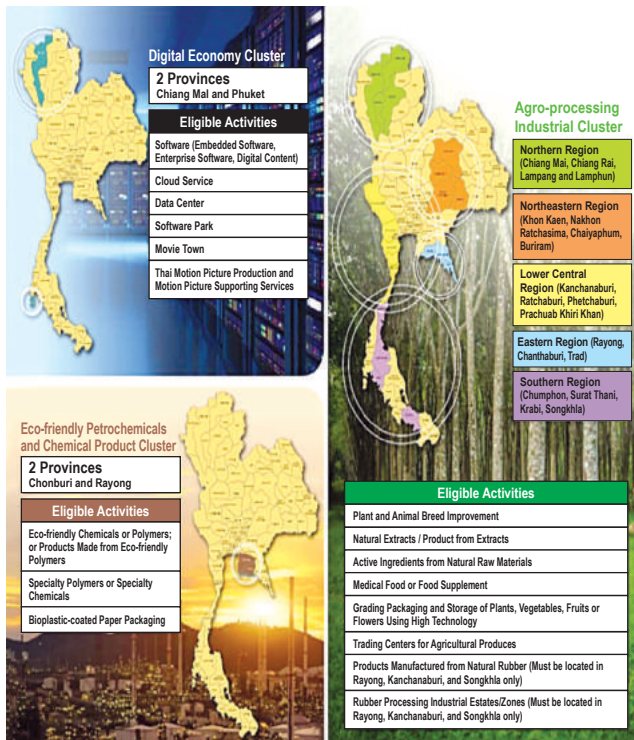
Thailand has various clusters with different regions and provinces assigned to each cluster. Each cluster has its own strategy for development. The largest, the Automotive and Parts Cluster, hosts some 4,000 companies, turns out 2 million completed vehicles each year, half of which are exported, making Thailand the 12<sup>th</sup> largest

automotive industry in the world. Figures 10 and 11 show different regional clusters of Thailand:

Figure 10: Thailand's economic clusters



**Figure 11: Thailand’s economic clusters**



An example of a potential cluster in the Philippines is shipbuilding and ship repair based in Subic. There are three shipyards in the area, with proximity to the Clark airport and Subic seaport. Singapore, for example supports its ship building and repair maritime cluster and ensures that Chinese steel plates are cheaper there than in China.

The Clark-Subic-Tarlac-Pampanga-Zambales region has other potential clusters (such as mango production in Zambales) could develop into a robust trading hub bringing more frequent ship visits into the area, some staying for repair, and with this the support system that comes with scale.

As of 2015, the Philippines hosts a significant number of major electronic product exporters, (as do Malaysia, Thailand, and Vietnam). These companies are part of global value chains. Several clusters can be formed around the electronic components the Philippines produces.

Table 1 lists Philippine principal exports that the regional leadership can study to look for potential cluster expansion.

**Table 1: Value of top 10 principal exports, 2015**

Commodity	Value (in Mn US\$)	Percent Share
Electronic Products	28,904	49.1
Other Manufactured Goods	3,993	6.8
Machinery and Transport Equipment	3,903	6.7
Woodcrafts and Furniture	3,128	5.3
Ignition Wiring Sets	2,134	3.6
Chemicals	1,782	3.0
Articles of Apparel	1,459	2.5
Other Mineral Products	1,397	2.4
Metal Components	1,240	2.1
Coconut Oil	1,129	1.9
<b>Total of Top 10 Exports</b>	<b>49,096</b>	<b>83.5</b>
<b>Other Exports</b>	<b>9,731</b>	<b>16.5</b>
<b>Total</b>	<b>58,827</b>	<b>100</b>

Source: Foreign Trade Statistics of the Philippines, 2015

The cluster mind-set would mean breaking away from the “kanya-kanya” or “to each his own” mind-set that impedes the country from focusing on ambitious national goals. With regional leadership aspiring to self-determination comes opportunity to have ambitious regional goals come to fruition with export clusters.

Philippine semiconductor plant



Source: Texas Instruments

**RECOMMENDATIONS:**

- Build strategic regional clusters around the following ports and airports:
  1. **Clark-Tarlac-Subic Corridor** provides an important cluster opportunity: Shipbuilding



and ship repair, mango production, and electronic components are examples.

2. **Batangas** could be zoned into food processing and manufacturing clusters.
3. **Cebu** has many opportunities for clusters in the furniture industry. However, furniture manufacturers are spread around the city and could be consolidated into a planned area near a new modern port.
4. **Coron and Aklan** can develop tourism clusters aside from local food and fisheries activities.
5. **Davao** is already an important cluster for banana and other agricultural products but can be expanded and better planned.
6. PHIVIDEC in **Cagayan de Oro** is a large government-owned industrial estate and has power plants located in its area with the rich agricultural province of Bukidnon

nearby. PHIVIDEC can develop as a food processing and cold chain logistics hub.

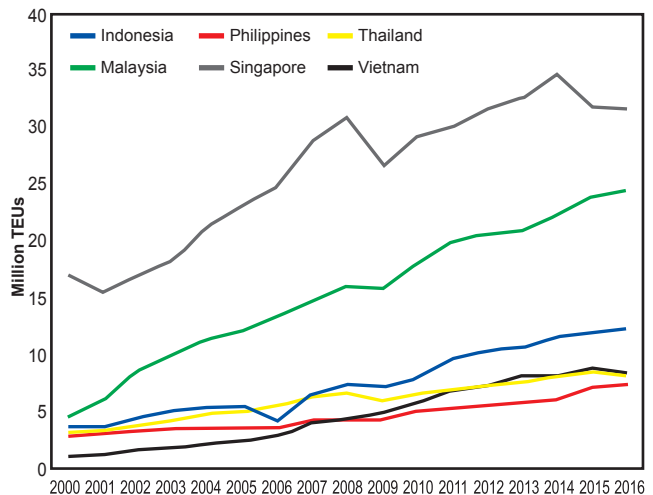
7. **Leyte Industrial Estate** is also government owned and has a large land area that can be a coconut cluster.
  8. **Sarangani and General Santos** with their long coast line can plan a fisheries cluster.
- Airport, port, and logistics infrastructure in various regional cluster areas should be developed to address the need of each kind of goods and its trade traffic.
  - Most importantly, the cluster by its nature must aim to scale up, to lower costs, produce larger volumes, attract larger ships, and lower costs to become competitive in global markets.
  - Provide competitive incentives, including fiscal, which will attract domestic and foreign exporters to locate in selected product clusters.

## V. PORT DEVELOPMENT

Ports have been a vital part of economic activity in the Philippines for many centuries. Geographically, the Philippines is an archipelagic country comprised of 7,107 islands. With its archipelagic character, the country depends on ports more than countries with a large continuous landmass. Since a high percentage of Philippine domestic and international commerce is by sea, efficiency of maritime transportation is increasingly essential to national competitiveness.

Despite being an archipelago, the Philippines ranked lowest in terms of container port traffic among its ASEAN-6 neighbors. As of 2016, Philippine ports received around 7 million TEUs, while their major ASEAN-6 competitors handled higher container port traffic with Thailand (8 million), Vietnam (8.5 million), and Indonesia (12 million). Singapore, as a regional transshipment hub, ranks highest in container port traffic with 25 million (see Figure 12).

Figure 12: ASEAN-6 container port traffic, 2000-2016

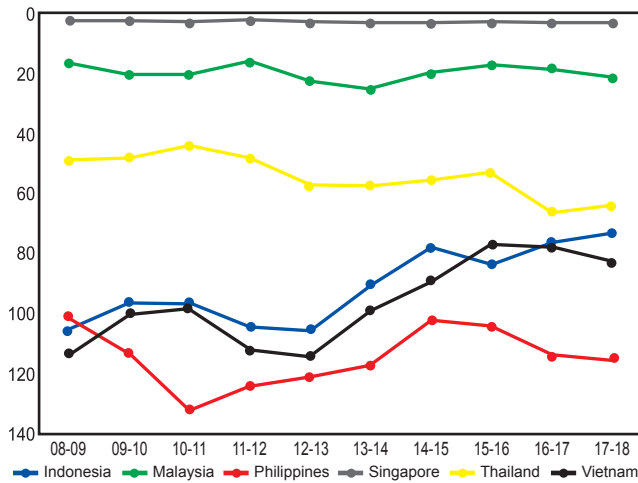


Source: UN Conference on Trade and Development

According to the World Economic Forum, the Philippines has the lowest Quality of Ports ranking relative to its ASEAN-6 neighbours (see Figure 13). The port infrastructure ranking is based on perceptions of business executives of their country's port facilities. In 2017-2018 the Philippines was ranked 113<sup>th</sup> of 137 countries, down from 100<sup>th</sup> a

decade before and far behind Vietnam, Indonesia, and Thailand. By contrast, Indonesia’s ranking in the same decade improved by 50%.

**Figure 13: ASEAN-6 Quality of ports rankings, 2008-2018**



Source: WEF, 2017, 137 countries

Port of Manila



Source: MICT website

In terms of World Port Rankings, which is determined by total cargo volume (both container and non-container), the port of Manila ranked 72<sup>nd</sup> out of 100 ports and evaluated 6<sup>th</sup> out of 8 among major ASEAN-6 ports (see Table 2).

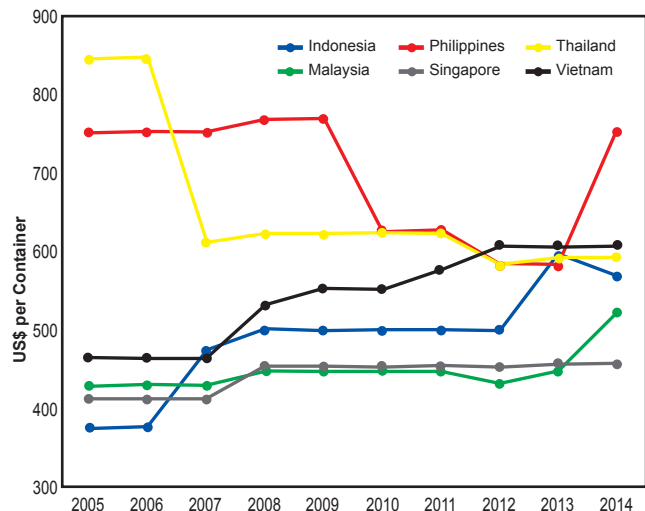
**Table 2: ASEAN-6 world port rankings (by total cargo volume), 2015**

Rank	Port	Country
2	Singapore	Singapore
15	Port Kelang	Malaysia
43	Saigon New Port	Vietnam
54	Laem Chabang	Thailand
72	Manila	Philippines
89	Tanjung Priok	Indonesia
96	Bintulu	Malaysia

Note: Total number of ports evaluated – 100  
Source: American Association of Port Authorities, 2015

The high cost of both domestic and international marine transport for Philippine trade has been a contentious issue and is influenced by the efficiency of ports. Given the country’s low ranking in terms of quality of ports, the Philippines rank in the cost to export a container among the ASEAN-6 is the most expensive (see Figure 14).

**Figure 14: ASEAN-6 cost to export, 2005-2014**



Source: World Bank, 2017.

One reason why the cost to export in the Philippines is high is a lack of proper port infrastructure. If economically viable regional ports do not have gantry cranes, shipping companies must utilize

vessels equipped with cranes which increases shipping cost. For more detailed enumeration of the reasons for high domestic shipping cost in the Philippines, see Box A.

Port capacity, turn-around time, productivity, proper dredging, and availability of ship-to-shore gantry cranes are necessary for port development to lower the cost of shipping.

The issues discussed above all relate to port efficiency. Operations of a seaport spans various aspects such as container and cargo turnaround time, port infrastructure, port access roads and other transport connectors. According to a research by Kennedy, Lin, Yang and Ruth (2011) on the importance of port efficiency:

“Sea-port operational efficiency is a critical factor for handling of goods in the international supply chains, and is viewed to impact transportation and logistics which play an important role in trade exchange with other countries. It is important to evaluate operational efficiency of sea-ports to reflect their status and reveal their position in this competitive environment. Moreover, knowing impacts of efficiency of sea-ports on the supply chain is vital for business survival.”<sup>6</sup>

Port efficiency is thus a determining factor for cargo traffic, container traffic, and the cost of exporting.

## VI. DEVELOPING A “BLUE ECONOMY”

### Philippine maritime services

One of the major components of the Philippine maritime industry is crewing and manning of seafarers. Almost 90% of trade activities worldwide are through ships. Given this, seafarers play a key role in sustaining both the efficiency and stability of the global maritime sector. Filipino seafarers are

In order to improve maritime efficiency in the Philippines, port development is essential for economically viable regional ports (Cebu, Davao, Cagayan de Oro, General Santos, and Zamboanga) to sustain an efficient national port network. To facilitate an efficient hub-and-spoke port system, smaller regional ports should also be equipped with adequate facilities to handle RO-RO as well as barge systems between selected ports such as Bacolod to Iloilo and Cebu to Bohol to improve inter-island connectivity.

### RECOMMENDATIONS:

- Certain hub and feeder ports proximate to one another should be connected by barge.
- The draft of all ports (driven by demand) should be dredged to the needed capacity to accommodate larger vessels.
- Main ports<sup>7</sup> should be provided with ship to shore cranes by their respective operators to avoid the use of ships equipped with cranes, thereby reducing cost. While other main ports already equipped, should be provided with more ship-to-shore cranes.
- Ship to shore cranes should be shared between international and domestic vessels where available.
- Refrain from implementing truck bans, which lead to further inefficiencies and increase transportation costs.

the second largest nationality comprising 30% of one million seafarers in the world. They contribute about US\$ 5 billion in annual OFW remittances. It is essential that seafarers as professionals also have career paths into other shipping services, which include ship management, technical superintendents, port management, trainers and teachers, among others.

<sup>6</sup> Kennedy, O., Lin, K., Yang, H., & Ruth, B. (2011). “Sea-Port Operational Efficiency: An Evaluation of Five Asian Ports Using Stochastic Frontier Production Function Model” *Journal of Service Science and Management*, 2011, 4, 391-399.

<sup>7</sup> Hub ports consist of the Port of Manila, Cebu port, Subic port, Batangas port, Port of Iloilo, PHIVIDEC, Zamboanga, and Davao Sasa.





Source: *Inquirer.net*

Highly developed education and training programs and schools for seafarers are among the main factors sustaining the Philippine maritime services industry. These institutions maintain and develop the needed level of knowledge and skills. Government authorities such as CHED, TESDA, and MARINA regulate the maritime education training institutions in Philippines.

Through the years, the Philippines has been the world's largest supplier of maritime services. As of 2018, however, the country is the second largest supplier of maritime services (see Box B), after China. Although in terms of numbers China has overtaken the Philippines, the latter remains to be the best rated source of seafarers (according to research by DOLE.).

#### Box B: Top 10 nationalities of seafarers

- |                       |             |
|-----------------------|-------------|
| 1. China              | 6. Ukraine  |
| 2. Philippines        | 7. Poland   |
| 3. Indonesia          | 8. Latvia   |
| 4. Russian Federation | 9. India    |
| 5. United Kingdom     | 10. Croatia |

Source: *Seaman Republic, 2016 and Department for Transportation, 2018*

The maritime service sector is composed of four subsectors:

- **Crew management:** need to retain and expands the Philippines as the leading seafaring country in the world.

- **Ship management:** need to promote the Philippines as the next maritime services center of Asia and eventually the world.
- **Business process management services including education and training:** need to deepen this part of the BPO industry with opportunity to develop business outsourcing services for ship managers, marine insurance, legal services, and others.
- **Ship finance, insurance, maritime law, and maritime arbitration:** need to develop a professional cadre of maritime lawyers, bankers, and insurance professionals.

Currently, the manning industry serves as the focal point of BPO activities in the Philippine shipping industry and was established before call centers and other back office processes moved to the Philippines. There is an opportunity to leverage the manning industry to add value and provide comprehensive services, such as sourcing, recruiting, training and development, performance management, and payroll.

#### World's best seafarers



Source: *Associated Marine Officers' and Seamen's Union of the Philippines*

Being such a large provider of globally-trained seafarers, the Philippines has an opportunity to develop careers beyond the sea to work in land-based services. Shipboard officers with competence and experience with global standards on all kinds of vessels are a talent pool for ships. The pool of seafarers also serve as a pipeline for surveyors and auditors needed by certifying bodies like Class Societies, insurance underwriters, and insurance adjusters.

## Ship building and repair

The Philippines is the fourth largest ship building country in the world, although much smaller than the first three countries - China, Japan, and Korea.

Other local shipyards are limited by technical capacity, yard capacity, capitalization, and unavailability of sources for steel and machinery.

The Philippines should attract more shipbuilders, as well as the eco-system of subcontractors, to locate in the Philippines to explore the full potential of the shipbuilding and repair sector. There are a total of 232 registered shipyards, shipbuilding, and ship repair facilities in the country. Of these, seven have the capacity to meet international standards (see Box B).

### Box C: Largest Philippine shipyards

- Hanjin Shipyard, Subic
- Keppel Subic Shipyard
- Subic Drydock
- Keppel Batangas Shipyard
- Herma Shipyard, Bataan
- Tsuneishi Shipyard, Cebu
- Mactan Shipyard Corporation, Cebu

The eco-system for ship building, ship repair, and conversions should be developed to make the sector truly competitive and integrated. Special incentives should be offered for ships built and registered in the Philippines. There is also an opportunity to develop green scrapping of ships as another emerging service in the Philippines.

Subic Hanjin Shipyard



Source: Rappler

In partnership with the private sector, the government should transform the Philippines into the world's best maritime service provider, as well as developing a bigger shipbuilding and repair industry.

As trade between the Philippines and the world grows, it is important to realize that development of hard port infrastructure, upgrading technology, and achieving efficiency of processes requires full commitment and attention. A modern and efficient logistics infrastructure would further allow other service sectors like ship brokerage, ship agency, freight forwarding, and logistics services to develop.

## RECOMMENDATIONS:

- **Maritime services:**
  - o Ensure that the country's status as the primary source of able and qualified seafarers is maintained.
  - o Develop a marine cluster with a full suite of services to the world.
  - o Promote the maritime profession at the secondary and tertiary levels of education.
  - o Ensure compliance of maritime educational institutions with international basic guidelines for quality marine education.
  - o Develop a program for the cruise industry aligned with industry standards and working conditions.
  - o Encourage global maritime professionals to pursue studies in the commercial aspects of shipping and ship management and follow career paths in shipping services including ship management, technical superintendents, port management, trainers and teachers.
  - o Improve levels of recruitment, retention and training and reduce officer wastage (retaining qualified officers and increasing the number of years they serve at sea).

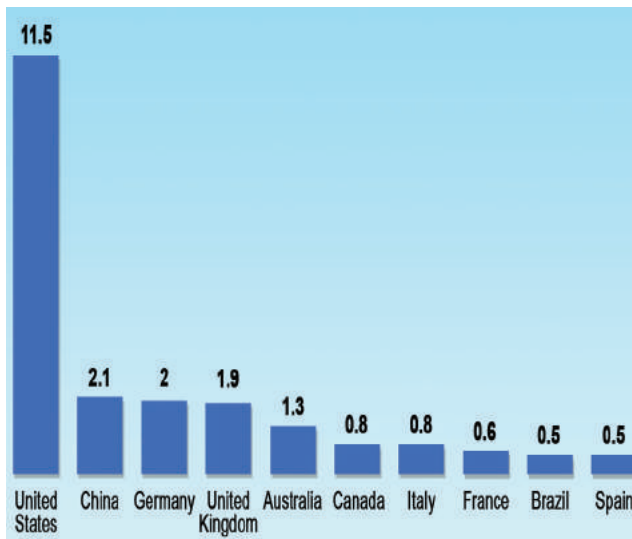
• **Ship building and repair:**

- o Develop eco-systems for ship-building, ship repair, ship conversion, and make the sector integrated and competitive.
- o Allow duty-free importation of materials and equipment for ship building and repair at least for a certain number of years.
- o Ship-building is included in the new Strategic Investments Priority Plan.
- o Promote financing with chattel mortgage without extended collateral or board seat requirements in the acquisition of ships.
- o Require government lending institutions to offer preferential rates for new vessel acquisitions.
- o Phase out wooden hull vessels carrying more than 50 persons; regulate wood construction materials, and limit the size of wooden vessels.
- o Promote naval architecture courses and provide scholarships and incentives.
- o Amend incentives granted to the shipbuilding industry and extend its incentives to ships built for domestic trade.

## VII. UNLOCKING POTENTIAL OF CRUISE TOURISM

Cruise vacations are the fastest growing travel sector in the world with 25 million passengers contributing US\$ 126 billion to this worldwide industry. In 2017, 1,052 cruise destinations around the world were visited 48,333 times by 27 major cruise lines<sup>8</sup>. American passengers have traditionally been the largest market, but cruise companies have emerged to respond to specific markets in Germany, the United Kingdom, Australia, France, Spain, Japan and to niche river, expedition, and small cruises.

**Figure 15: Source of cruise tourism demand, 2014-2016**



Source: CLIA

**Table 3: Cruise calls, ASEAN-6, 2013-2015**

Country	2013	2014	2015	2-yr increase (2013-2015)	2-yr % Growth
<b>EAST ASIA</b>					
Japan	329	519	567	238	72%
South Korea	306	414	374	68	22%
China	282	390	300	18	6%
Hong Kong	99	183	200	101	102%
Macau		1			
Taiwan	155	232	174	19	12%
<b>SOUTH EAST ASIA</b>					
Vietnam	340	359	316	-24	-7%
Cambodia	16	15	34	18	113%
Philippines	21	53	64	43	205%
Thailand	329	293	374	45	14%
Malaysia	381	503	578	197	52%
Singapore	289	333	373	84	29%
Indonesia	145	175	196	51	35%
Brunei	19	21	22	3	16%
Timor	2			-2	

Source: National Tourism Development Plan, DOT, 2016.

Several important trends have been taking place in recent years: (1) the increasing affordability of cruises through economies of scale, (2) new ships have capacities of 4,000 to 6,000 passengers compared to 2,000 plus before, and (3) Asia is a growing target market for cruise tourism, especially China. According to the Cruise Lines International Association (2018):



“Mainland China is the main driver of growth in Asia, accounting for 2.1 million passengers, a growth of 99% from the year before. There was also growth from other major source markets in Asia during this period, including Taiwan (236,800 passengers), Japan (215,400), Singapore (196,900) and India (120,000).”

The increase in passenger demand has led to larger fleet deployment:

“The increase in passenger numbers across Asia naturally had a positive impact on the size of fleet deployment. There were 66 ships deployed in Asian waters in 2017, representing an increase in capacity of 31% from the previous year.”<sup>9</sup>

Cruise tourism in Asia is expected to continue to grow at an impressive rate due to a sharp increase in passenger volume from China.

### The Philippine opportunity

In past years, the Philippines was a destination for cruises on “around the world” or positioning voyages for US and European tourists visiting Manila, Cebu, and Davao. The Philippines generated very few cruise calls then. Today, the momentum of fast-growing cruise tourism continues with 35 brands now active in Asia and potential to deliver 13.5 million passenger destination days across local communities in the region.<sup>10</sup>

Mainland China is a growing source market for cruise tourism passengers. Chinese passengers enjoy programs in the Philippines with a little of everything: culture, shopping, and food in one day. With the large Asian market demanding new Asian-to-Asian itineraries, there is an opportunity to develop the Philippines as a destination of choice with its many natural attractions and beautiful islands, shopping, diverse cuisine, all with good pricing value.

<sup>9</sup> CLIA, 2017.

<sup>10</sup> Crew Center, 2017.

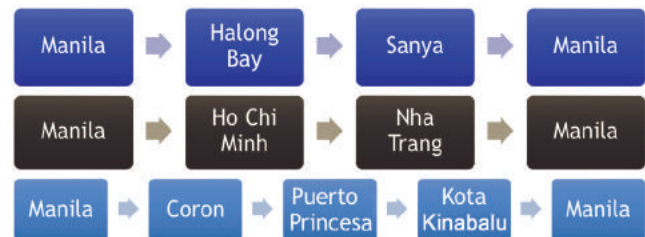
### The Philippines as a homeport

Star Cruises (owned by Genting Hong Kong, part of the Malaysian Genting Group) was the first cruise line to test homeporting in the Philippines in 2017 in Manila with the *Super Star Virgo*. Cruise ships need warm destinations during winter months. The majority of their port calls happen January to April (with March and April the busiest months).

Star Cruises homeported in Manila from March to June in 2017 and 2018 with a total of 16 calls in 2017 and 20 calls in 2018. This 3-day itinerary was a major success in 2017, when Star Cruises followed a homeporting Manila/Laoag/Keelung/Hong Kong/Manila itinerary. In 2018 it added a Manila/Nha Trang/Keelung/Manila itinerary.

Star Cruises operated from March to June 2018 and will resume operations in October 2018. They will test three different itineraries from December 2018 until June 2019 (see Figure 16).

Figure 16: Star Cruises itinerary



Source: Star Cruises

Costa Crociere (an Italian cruise line) is planning to homeport a cruise vessel in Manila in 2020. For its 2019 season, Costa will make overnight stops at Subic.

Super Star Virgo and destinations



Source: Manila Times

Some Asian cities have successfully established themselves as homeports creating a bustling tourism cluster in their homeport cities (see Box D).

#### Box D: Major Asian homeports

<b>Singapore</b>	Singapore's two cruise terminals have easy access to the city and its many tourist attractions. With its strategic location as an airport hub and clear focus to become Southeast Asia's cruise hub, Singapore benefits from world cruises, mini-cruises, repositioning cruises, and is a hub cruise port for intra-ASEAN or intra-Asia voyages.
<b>Yokohama</b>	Yokohama is a cruise port located on Tokyo Bay on Japan's eastern Pacific Coast. Its close distance to Tokyo is why Yokohama is often used as a cruise port. The port's cruising season is February through October.
<b>Hong Kong</b>	Hong Kong cruise port is in Victoria Harbour and has 2 passenger terminals, the Ocean Terminal and the Kai Tak Cruise Terminal. Kai Tak Cruise Terminal was inaugurated in June 2013. Its opening put Hong Kong among the leading Asian cruise ship tourist hubs. The city's popularity and numerous attractions make it a world-class vacation travel destination for domestic Chinese and international travellers of all ages. Its strategic location and airport hub attract world cruises, mini-cruises and repositioning cruises and makes Hong Kong a hub cruise port for intra-Asia cruises.
<b>Shanghai</b>	Shanghai is a major cruise port of call and also a turnaround port for round-trip itineraries from China to Japan and South Korea. Shanghai is also a departure point for Yangtze River cruises to Chongqing for the ten-day Yangtze River Cruise.
<b>Busan, Jeju, Incheon-Seoul</b>	In 2016, South Korean ports were visited by around 2 million cruise ship tourists, an increase of 130% over 2015. The country was included in a total of 811 cruise itineraries, of which 534 were to Jeju, 215 to Busan, and 62 to Incheon-Seoul. In 2011, the number of cruise ship tourists visiting Busan was around 50,000 (6 ship calls). By 2014 the number quintupled to 245,000. In 2016, Busan cruise port handled 215 ship calls.
<b>Keelung</b>	Cruise ships in Keelung, northeast of Taipei, dock on a pier located in the port's industrial areas. From the pier, the city is in close walking distance. The port offers sightseeing and other activities, most of which are within ten minutes walking distance from the cruise ship pier. The Keelung train station is located relatively close to the docking pier and the train to Taipei takes 41 minutes. Trains are the cheapest and quickest way for cruise passengers to reach in Taipei.

Source: CLIA

### The Philippines as a destination

Ideal cruise itineraries have sea travel during the night, with passengers waking up in the morning to a new destination. It is thus important to develop destinations that are spaced along a route of several ideal destinations to avoid too many waking hours at sea. The ideal location for a cruise terminal is in vicinity to a city and places of interest, whether cultural, heritage, or natural.

With ships becoming bigger, the ideal port should allow the vessel to dock alongside a pier since it would take too much time, effort, and risk to use tenders to disembark and embark passengers. There should be minimal regulatory bottlenecks for the issuance of visas for cruise

passengers and ease of doing business for cruise ship operators.

Boracay, Coron, Manila, and Puerto Princesa are the most visited Philippine cruise destinations.

Siete Picados, Coron Island



Source: CNN Traveler

**Table 4: List of Philippine ports assessed for cruise tourism potential, 2015**

Ports Assessed	
Manila	Iloilo City
Cebu	Legaspi
Davao	Caticlan, Boracay
Subic Bay	Carabao Island, Romblon
Puerto Princesa	San Vicente and Santa Ana
Coron	Currimao, Ilocos Norte
Tagbilaran	Salomague, Ilocos Sur

Source: National Tourism Development Plan, DOT, 2016

**Puerto Princesa, Palawan** was rated by the Department of Tourism in 2015 as the most ready to handle large cruise tourist traffic as it scored well in the criteria listed above. According to the National Tourism Development Plan (NTDP) of the DOT, the Port of Puerto Princesa has adequate dredging and berth facilities to handle at least two cruise ships at the same time. Buses can enter the port on a staged departure basis for immediate shipside boarding for tours. The location of Puerto Princesa is near Sabah, Malaysia is also convenient for cruise ships routing in Southeast Asia. The Philippine Ports Authority is implementing projects to improve infrastructure of the Port of Puerto Princesa.

Puerto Princesa’s Underground River



Source: CLIA, 2017

**Manila** has great potential to be a major cruise tourism destination with a deepwater port, adequate marine infrastructure, and tourist attractions such

as the Spanish era city of Intramuros, the National Museum, and Rizal Park. Manila also has proximity to ports of origin in Hong Kong, Sanya, Keelung, and Xiamen. A wide range of accessible recreational options include large modern casinos, luxury hotels, restaurants, and one of the world’s largest malls.

The Port of Manila Pier 15 in Manila South Harbor has long served as a cruise terminal. However, the port has experienced port congestion. Surrounding roads have heavy traffic, making it inconvenient for cruise passengers to access the port and go on tours. The NTDP also described Pier 15 as “visually unappealing” with poverty areas nearby. But the Port of Manila has advantages of proximity to the Manila Hotel, Intramuros, the National Museum, and the Old Manila area with Binondo, Malacanang, and other attractions.

Bloomberly Resorts (developer of Solaire casino/entertainment complex) and the International Container Terminal Services have submitted a proposal to build a new US\$ 308 million integrated cruise ship port in Paranaque City to include a terminal, recreational development, and direct connections to surrounding recreational sites. The project proposes to begin operations in 2020. The tourism secretary has targeted a new cruise terminal in Metro Manila to begin operating by 2020 or 2021.

A luxury cruise ship docks at Pier 15



Source: Manila Times

Subic has the infrastructure to receive large ships as well as airports, hospitals, logistics, and



services (ship repair, fueling, etc.) needed to serve passengers and vessels. However, destinations of interest to tourists need considerable development.

**Others.** Beautiful areas like Boracay (Aklan), Coron (Palawan), Curimao (Ilocos Norte), Tagbilaran (Bohol) lack infrastructure but have solid potential as destinations for cruise ship visits.

In summary, the Philippines has a great opportunity to unlock its potential both as a cruise home port and cruise destination. Many improvements are needed to fully unlock this potential.

### **RECOMMENDATIONS:**

- Continuously work with cruise lines to identify the most important and viable cruise destinations in the country.
- Build infrastructure capacity (piers and tendering services) to support the needs of larger vessels and greater volume of passengers.
- For Manila to homeport, improve airport infrastructure to accommodate large groups through immigration, baggage, customs, and holding areas for passengers boarding buses to travel directly to their cruise ship.
- Develop unique tours, culinary, cultural, and shopping experiences that please the Chinese, Asian, and emerging millennial tourist. Ensure there is product differentiation from destinations in other countries. Develop guides that speak Chinese and other Asian languages.
- Remove regulatory barriers. Waive and streamline visa clearance procedures. The NTDP recommends that cruise ship passengers be treated as “transit passengers” exempting them from visas and other clearance procedures.
- Other Philippine port destinations trying to attract cruise companies to homeports should develop airport and bus terminal facilities to receive large groups of people.
- Build more beautiful areas in cities with parks, sidewalks, and waterfronts for Filipinos.
- Strictly regulate development in areas with beautiful natural resources to keep them sustainable for future generations. Support and sponsor preservation of handicraft and art sold in markets, galleries and bazaars, and improve local museums.
- Preserve culture and heritage buildings, promote architectural and city landscape guides.
- Promote Filipino traditional and contemporary Filipino music and support singers and musicians.
- Cruise terminal capacities need to increase to accommodate the volumes of passengers disembarking and embarking from large vessels.

## **VIII. GOVERNANCE AND LEGISLATION**

### **A. Governance of seaports and conflict of interest**

Regulatory changes are one of the binding constraints that weaken the competitive strength of Philippine seaports resulting from inadequate governance. The Philippine Ports Authority (PPA) under the Department of Transportation is the main agency responsible for the operation, development, and regulation of all public ports as well as regulation of private ports.

The PPA Charter (Presidential Decree 857) mandates for the authority a share of at least 10%

from the cargo handling revenue it collects from its economically viable ports. PPA also regulates and approves tariffs, rate increases in port charges, and cargo handling rates for public and private ports.

These conflicting roles potentially create a conflict of interest and make the PPA susceptible to possible rent-seeking practices since it receives more revenue when it raises cargo handling rates. The House of Representatives Committee on Oversight in a 2006 report concluded that the PPA has a conflict of interest as it benefits from its own regulation. As a regulator, the PPA reviews and approves petitions for rate increases submitted

by cargo handling operators. In most cases these petitions are approved.<sup>11</sup>

The PPA manages around 115 ports nationwide. Other authorities that handle ports include government-owned economic zones such as the Authority of the Freeport Area of Bataan, the Cebu Port Authority, PHIVIDEC Industrial Authority, and Subic Bay Metropolitan Authority (SBMA). A pertinent issue is the competition for cargo traffic (and fee revenue) between PPA ports (e.g. Manila International Container Terminal) and economic zone ports (e.g. SBMA).

The PPA has raised cargo handling rates over the years. However, many of its ports remain underdeveloped and lack adequate port infrastructure such as ship-to-shore gantry cranes and proper dredging. When higher rates are charged in ports that require more infrastructure investment, the PPA should make certain required port infrastructure is installed. The PPA has changed its tariff increase mechanism to an inflation-based formula, based on official government statistics. The question still needs to be answered whether revenue from PPA's variable fees should accrue to the government or benefit port users in underequipped PPA ports.

According to the consulting firm Global Container Terminal Operators, the landlord port authority structure is the model used in 80-90% of ports worldwide. Global Container Terminal Operators defines a land-lord port model as:

“A public or state-owned body which owns and manages the port land and infrastructure and acts as a landlord to tenants on long term deals who invest in superstructure and equipment, and carry-out cargo-handling.”<sup>12</sup>

A World Bank study with NEDA think-tank Philippine Institute for Development Studies proposed reforms

to separate the developmental and regulatory functions of PPA thereby eliminating its power to earn a share from cargo-handling revenues.<sup>13</sup>

A current bill in the 17<sup>th</sup> Congress (see Table 5) seeks to separate developmental and regulatory functions of the PPA by transferring all regulatory powers and functions (especially rate regulation) to MARINA, making the PPA a service provider and not a revenue generating entity. The new PPA (to be renamed as PHILPORTS) will develop, manage, and operate public ports within the port system of the PPA. PHIL PORTS would be a public enterprise which competes on a level playing field with private ports in the country.

The PPA's development role for hub port and economically viable ports should be left to the private sector. The latter has resources and know-how to provide for proper infrastructure and development of ports. Meanwhile, the development of less economically viable ports on LGU land can be devolved from the jurisdiction of the PPA to LGUs.

Another area of concern is awarding of cargo handling contracts. The PPA awards cargo handling contracts to the bidder who will charges the lowest fee to shippers. However, there is uncertainty whether the PPA follows its own rule. A major problem pointed out in a 2005 study: “The lack of transparency in the grant or extension of cargo handling contracts, including possible extension without the benefit of a thorough assessment of performance, creates inefficiency problems.”<sup>14</sup> The study recommended that transparent guidelines for the granting or extension of cargo handling contracts be issued.

## **B. Governance of shipping: Who is in charge?**

For the shipping industry, the Maritime Industry Authority (MARINA) under the DOTr is the responsible agency which, like PPA, also possesses both developmental and regulatory functions.

<sup>11</sup> Basilio 2011

<sup>12</sup> *Global Container Terminal Operators Annual Review and Forecast 2018*

<sup>13</sup> Llanto, G., Basilio, E., & Basilio, L. (2005). *Competition Policy and Regulation in Ports and Shipping*. PIDS-World Bank Competition Policy Project.

<sup>14</sup> Interviews citing Gilberto M. Llanto, Enrico L. Basilio and Leilanie Basilio “Discussion Paper Series No. 2005-02: Competition Policy and Regulation in Ports and Shipping”, Philippine Institute for Development Studies.

However, unlike PPA, MARINA is not involved in shipping operations. The main functions of MARINA is its power to issue a Certificate of Public Conveyance, which permits shipping companies to operate specific routes. MARINA is also responsible for fixing the rates of passenger fares and cargo freight but only for third class passenger fares and specific non-containerized basic commodities.

In contrast to PPA's broad powers (spanning both regulatory and development areas) the main issue with MARINA is the lack thereof, leaving the shipping industry with an agency that weakly oversees and regulate its operations. MARINA is also mandated to implement international conventions the Philippines enters into pertaining to shipping and safety at sea. Many of these conventions have yet to be implemented.

MARINA also lacks the power to regulate cases where foreign shippers engage in unfair trade practices with domestic shippers. According to a report<sup>15</sup> excessive fees<sup>16</sup> are imposed by shipping firms of some countries. These excessive fees cost the economy an estimated US\$ 2 to 5 billion annually. This greatly impacts the competitiveness of exports by increasing the cost of imported raw and intermediate goods.

The group most affected by these unfair practices are small exporters and importers (SMEs) who are not able to negotiate for better rates and terms, unlike large exporters. Domestic producers are also heavily affected since the excessive fees increase the cost of importing raw materials and intermediate products.

The report noted that MARINA opined it is possible for international shipping lines to be regulated, as cases of imposition of unreasonable charges have been occurring over the years. The report also noted that DTI supports the legal basis for MARINA to regulate and determine the reasonableness of local shipping charges of international shipping lines.

15 *Potentially Avoidable International Shipping Cost and other Charges* By Dr. Enrico L. Basilio and Mr. Michael Raeuber with the National Competitiveness Council, 2017.

16 *These excessive charges include: empty container surcharge, container deposit fees, container cleaning fees, container detention and demurrage charges, port congestion surcharges, emergency cost recovery surcharge, and other undefined charges.*

17 *Information is obtained from an interview with MARINA's Safety Service department.*

### C. Safety and security: Who is in charge?

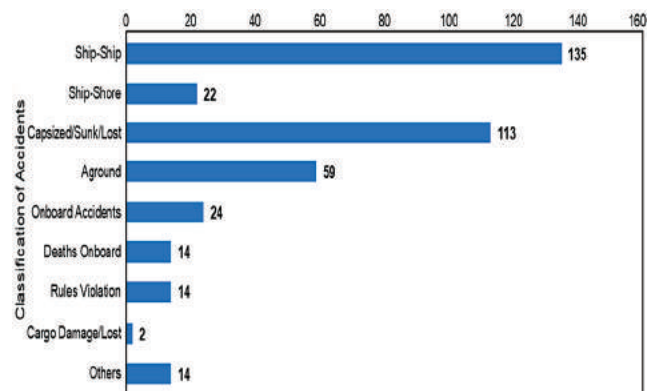
A developed ports and shipping sector requires a safe and secure environment for shippers, cargo, and passengers. Over the years, numerous maritime accidents have occurred in the Philippines, resulting in significant loss of lives. According to Presidential Decree 474, which created MARINA, one of MARINA's mandates is to:

“Provide for the effective supervision, regulation and rationalization of the organizational management, ownership and operations of all water transport utilities and other maritime enterprises.”

This includes issuance of permits, audits, etc. to both cargo and passenger vessels to ensure that such vessels meet government safety standards.

The Philippine Coast Guard reports vessels presumed to be violating MARINA's safety standards. An investigation follows. If proven to be non-compliant, MARINA can revoke steer permits and certificates to operate.<sup>17</sup> Maritime accidents were once common in the Philippines (see figures 17 and 18). They have significantly declined over the last three decades. The most common maritime accident is the ship-ship collision.

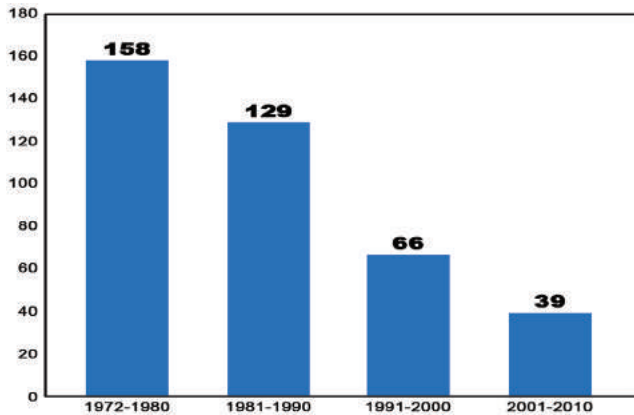
**Figure 17: Maritime accidents (by type), 1972 to 2010**



Source: *Marine Transportation in the Philippines: The Maritime Accidents and their Causes* (published in the *Journal of Navigation and Port Research International Edition* Vol. 35, No. 4).



Figure 18: Maritime accidents, 1972-2010



Source: *Marine Transportation in the Philippines: The Maritime Accidents and their Causes* (published in the *Journal of Navigation and Port Research International Edition Vol. 35, No. 4*).

Unlike the aviation industry, the maritime industry does not have a “passenger bill of rights” that will protect travellers by sea. There is currently a bill in Congress establishing a National Transportation Safety Board (NTSB), an independent body that will seek to improve implementation of safety standards in the transportation industry, conduct thorough accident and incident investigations, publish accident reports, and conduct studies on improving safety. The NTSB will cover the protection of maritime passengers.

Another safety concern of shipping sector stakeholders is the use of ISO-certified containers. Domestic shipping lines are not required to use ISO-certified containers,<sup>18</sup> which pose few safety hazards. Containers that are not ISO-certified can easily break, damage their contents, and be a safety hazard. The non-use of ISO-certified containers also restricts domestic shipping lines from participating in intra-ASEAN trade which mandates the use of ISO-certified containers. MARINA does not regulate or conduct oversight over the use of ISO-certified containers, and the PPA only monitors actual port infrastructure. This adds to the overall situation of insufficient government oversight and monitoring for both cargo and passengers.

18 From CCM storage services.

### D. Legislative reform

In the past two decades there have been two major reforms impacting the maritime sector. One was to develop the Roll on/Roll off (RO-RO) mode of shipping. EO No. 170-A was issued in 2003 by former President Gloria Macapagal-Arroyo to allow vehicles containing cargo to roll on and off a ship, thus removing the need for costly cargo handling to improve connectivity in the country.

With strong support from business, logistics service providers, and shippers, the RO-RO policy was implemented and three north-south RO-RO links were established linking Luzon through the Visayas to Mindanao. This became one of President Arroyo’s major reforms and became known as the Strong Republic Nautical Highways program.

RO-RO docks at a port



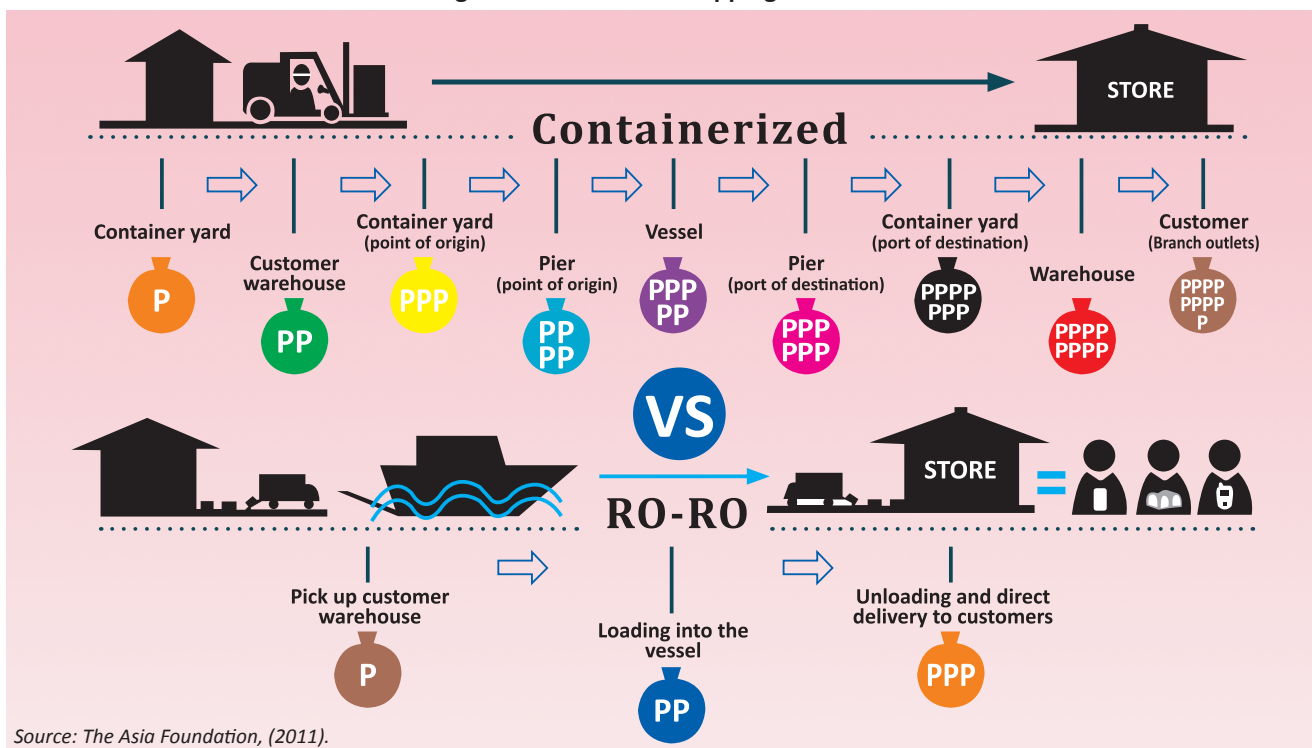
Source: Rappler

2GO Group Inc. is the largest premier logistics provider in the Philippines providing services for both cargo and passengers.



Source: Flickr.com

Figure 19: Traditional shipping vs. RO-RO



Source: The Asia Foundation, (2011).

Figure 19 illustrates the difference between traditional shipping and RO-RO shipping. One of the most important outcomes of the RO-RO system is lowering logistics costs by removal of cargo handling fees, (which, as discussed, have been a conflict of interest for PPA). The RO-RO system also promoted tourism and agricultural productivity. EO 170-A was expanded in 2005 under EO 170-B encouraging the conversion of private non-commercial ports into private commercial ports to create more RO-RO capable ports. EO 204 further expanded EO 170 in 2016 under the Aquino administration by including the chassis (without a prime mover) to be transported on RO-RO vessels.

Another major reform in the shipping industry was enacted in 2015 in Republic Act No. 10668 or An Act Allowing Foreign Vessels to Transport and Co-load Foreign Cargoes for Domestic Transshipment. The law allows for a foreign vessel coming from a foreign port to carry foreign cargo to its Philippine transshipment port or its port of final destination. The law also allows foreign vessels coming from a Philippine port of origin to carry cargo through a domestic transshipment port and onwards to its final

foreign port of destination. This was a major step in redefining cabotage in the Philippine shipping sector.

Bills filed in the 17<sup>th</sup> Congress that seek reforms in the maritime sector are described in Table 5. However, none have moved out of committee and only one has been introduced in both houses. *Arangkada* also recommends other reforms, which have not been filed in the 17<sup>th</sup> Congress, further discussed in the policy brief’s recommendations.

Port of Cagayan De Oro



Source: PPA

Table 5: Maritime and related reforms in the 17<sup>th</sup> Congress

Bill No.	Subject	Author/s	Status
<b>Senate</b>			
SB 447	Creating the Department of Maritime Affairs	Sen. Antonio Trillanes	Pending in committee since August 2016
<b>House of Representative</b>			
HB 456	Providing for Maritime Code for the Full and Effective Implementation and Enforcement of the International Convention for the Safety of Life at Sea, 1974 and Its Protocol of 1988, the International Convention for the Prevention and Pollution from Ships, 1973, its Protocol of 1978 and its Protocol of 1997, the Convention on the International Regulations for Preventing Collisions at Sea 1972, the International Convention on Load Lines 1966 and its Protocol of 1988, as amended in 2003, the International Convention on the Tonnage Measurement of Ships 1969	Reps. Manalo and Rep. Baguilat,	Pending in Committee on Transportation since July 2016
HB 1287	Creating the Maritime Authority of the Philippines Thereby Repealing Presidential Decree No. 474	Rep. Baguilat	Pending in Committee on Government Enterprises and Privatization since August 2016
HB 1593	Mandating the Philippine Ports Authority Shift Container Traffic to Batangas and Subic Ports Thereby Putting a Cap on the Volume of Containers at the Manila Port	Rep. Castelo	Pending with Committee on Transportation since August 2016
HB 2723	Creating the Department of Maritime Affairs	Rep. Alejano	Pending with Committee on Government Reorganization since August 16, 2016
HB 8005	Separating the Regulatory and Commercial Functions of the PPA by Converting it into Philippine Ports Corporation for Development, Management and Operation of Public Ports within its System and Transferring the Regulatory Functions to the Maritime Industry Authority (MARINA)	Rep. A. Yap	Pending in Committee on Government Enterprises and Privatization since August 2018

### RECOMMENDATIONS:

- Pass a law to convert the PPA into the Philippine Ports Corp. (PHILPORTS) to handle development, management, and operation of public ports. The regulatory functions of PPA, would be transferred to MARINA.
- Amend the PPA charter to revise the structure of its board of directors and allow more members of the private sector to sit on the board.
- Reactivate the National Port Advisory Council (NPAC) in order to create an input and feedback mechanism between the PPA and various stakeholders. The NPAC will provide PPA and various stakeholders a formal platform to collaborate and to decide issues.
- MARINA's role should be expanded and re-defined to include powers to protect shippers from financial abuses of international shipping lines, implement safety standards, and monitor compliance of international shipping lines with Philippine laws and international standards.
- Give MARINA authority to investigate and take action against international shipping lines that discriminate and follow abusive practices against Philippine shippers.
- Amend the presidential decree *Requiring all*



*Philippine owned/and or registered vessels to undertake repairs an drydocking with MARINA-registered ship repair yards or PD 1221 to allow certain tonnage of ships to drydock abroad where costs of drydocking are lower.*

- Revive the incentives under *An Act Promoting the Development of Philippine Domestic Shipping, Shipbuilding, Ship Repair and Ship Breaking, Ordaining reforms in Government Policies Towards Shipping in the Philippines* or RA 9295 to domestic ship operators.
- Change the “Minimum Manning Regulations” prescribed under the Philippine Merchant Marine Rules and Regulations issued by MARINA.
- Enact the bill creating a NTSB to protect rights of ferry passengers and ensure safety standards for

ferry companies as well as hold ferry companies accountable in cases of accidents.

- Require the use of ISO containers for all domestic shippers to ensure safety and encourage competitiveness to participate in intra-ASEAN trade.
- Seek to reduce domestic shipping costs. The cabotage provisions of Philippine marine law should be reviewed, joint ventures between Filipino and foreign shippers should be increased, and the RO-RO system expanded to increase competition and reduce domestic shipping costs.
- Major RO-RO ports should have modern passenger terminals with connected bus terminals, security systems, and berthing spaces with good road access.

## **IX. CONCLUSION**

The future is very bright for seaports and shipping in the Philippines. Ports have long been a vital part of the country’s economic activity. Increasing global trade presents immense opportunity for Philippine ports to scale up to become more significant in intra-regional trade. Intra-Asia trade is growing strongly and becoming more important than Trans-Pacific and Asia-Europe shipping.

But the country faces challenges before it can benefit fully from these opportunities. These include its high dependence on imports both for local consumption and for raw materials to be processed by Philippine labor both for export and local consumption.

The Philippines is a weak exporter in comparison to its ASEAN-5 competitors. It should aggressively reduce the costs of manufacturing goods for export and reduce dependence on imports for consumption. In the era of low tariffs, the only choice is import substitution based on becoming globally competitive in goods, just as the economy is globally competitive in services.

The Philippines should follow the success of other countries in developing strong export clusters centered near hub seaports in Luzon, Visayas,

and Mindanao. Thailand offers a successful model of industrial clustering. The quality of port infrastructure, port efficiency, and hub port connectivity to feeder ports need considerable improvement. The cost to export should be more competitive and excessive fees imposed by foreign shippers should be regulated.

In developing its “blue economy” the Philippines can greatly expand maritime services - both at sea and home-based BPOs - to be not just “world class” but “best in the world.” Ship building, repair, and conversion have high potential to scale up and should be prioritized by government.

The rapidly-growing Asian cruise tourism industry has arrived at Philippine ports. Homeporting in Manila and Subic is beginning, with more island destinations being included on cruise ship itineraries. The potential is unlimited.

As maritime opportunities for the country are realized, the Philippines will create a “Blue Economy” that can be counted among the world’s largest. Recommendations laid out in this policy brief have been made in hopes that strong public private partnership will implement them sooner than later.

# BIBLIOGRAPHY

- Almonte, L. (2016). "Implementing rules for PH Co-Loading Act out". Port Calls Asia. <https://www.portcalls.com/implementing-rules-ph-coloaded-act/>
- ASEAN Briefing. (2015). "Thailand's New Investment Promotion Policies Open a New Door to Foreign Investors." <https://www.aseanbriefing.com/news/2015/08/19/thailands-new-investment-promotion-policies-open-a-new-door-to-foreign-investors.html>
- Basilio, E. \_\_\_\_\_. "Chapter 2: A Market-Oriented Policy Reform Option: The Philippine Roll-On/Roll-Off (RO-RO) Experience." The Asia Foundation. <https://asiafoundation.org/resources/pdfs/Chapter2.pdf>
- Basilio, E., & Raeuber, M. \_\_\_\_\_. "Potentially avoidable International Shipping Cost and Other Charges." National Competitiveness Council Philippines. Export Development Council.
- Cruise Lines International Association, Inc. (2016). "Press Release: State of the Asia Cruise Industry: No Signs of Slowing Down." <https://www.cruising.org/about-the-industry/press-room/press-releases/state-of-the-asia-cruise-industry-no-signs-of-slowing-down>
- Cruise Lines International Association, Inc. 2017. "2018 Cruise Industry Outlook." <https://cruising.org/docs/default-source/research/clia-2018-state-of-the-industry.pdf?sfvrsn=2>
- Cruise Lines International Association, Inc. (2017). "Asia Cruise Trends." <https://www.cruising.org/docs/default-source/research/clia-2017-asia-cruise-trends-report.pdf?sfvrsn=0/>
- Cruise Lines Statistics. (2017). "Cruise Industry Analysis by Cruise Lines 2017." <http://crew-center.com/cruise-industry-analysis-cruise-lines-2017>
- Desjardins, J. (2018). "These are the world's biggest exporters" World Economic Forum. <https://www.weforum.org/agenda/2018/06/these-are-the-worlds-biggest-exporters>
- Drewry Maritime Research. (2018). "Global Container Terminal Operators Annual Review and Forecast 2018." <https://www.drewry.co.uk/maritime-research-products/global-container-terminal-operators-annual-review-and-forecast-2018>
- Hansl, B., & Cattaneo, O. (2017). "The Philippines: Resurrecting Manufacturing in a Services Economy." The World Bank. June 26. <http://blogs.worldbank.org/eastasiapacific/philippines-resurrecting-manufacturing-services-economy>
- ING. (2018). "Philippines: Double-edged trade impact." <https://think.ing.com/articles/philippines-double-edged-trade-balance-impact/>
- Kennedy, O., Lin, K., Yang, H., & Ruth, B. (2011). "Sea-Port Operational Efficiency: An Evaluation of Five Asian Ports Using Stochastic Frontier Production Function Model" Journal of Service Science and Management, 2011, 4, 391-399. <https://pdfs.semanticscholar.org/2eb6/804aeb16cbfa168621da2dee065c15325d2c.pdf>
- Knowler, G. (2018). Intra-Asia container shipping market intensifies. Fairplay. <https://fairplay.ihs.com/markets/article/4296096/intra-asia-container-shipping-market-intensifies>
- Llanto, G., Basilio, E., & Basilio, L. (2005). Competition Policy and Regulation in Ports and Shipping. PIDS- World Bank Competition Policy Project. <http://siteresources.worldbank.org/INTPHILIPPINES/Resources/Basilio.pdf>
- Lopez, D. (2018). "Philippine Peso Under Pressure as Country Posts Record Trade Deficit." Bloomberg. <https://www.bloomberg.com/news/articles/2018-01-10/philippines-posts-record-trade-deficit-as-machine-imports-rise>
- Monie, G. (2009). "Measuring and Evaluating Port Performance and Productivity," CEPAL Review, No. 99, 2009, p. 173.
- NSTDA. "NSTDA Profile". <https://www.nstda.or.th/en/index.php/about/vision-mission>
- Porter, M. (1998). "Clusters and New Economic Competition." Harvard Business Review. <https://hbr.org/1998/11/clusters-and-the-new-economics-of-competition>
- Richter, L. (2016). "The Impact of the Maritime Industry on the Philippine Economy". German-Philippine Chamber of Commerce and Industry, Inc. [http://philippinen.ahk.de/fileadmin/ahk\\_philippinen/Committees/Maritime\\_Industry\\_in\\_the\\_Philippines\\_\\_GPCCI\\_2016\\_.pdf](http://philippinen.ahk.de/fileadmin/ahk_philippinen/Committees/Maritime_Industry_in_the_Philippines__GPCCI_2016_.pdf)
- Shir, D., & Associates. (2017). "The Guide to Understanding Vietnam's Industrial Zones." Vietnam Briefing. <http://www.vietnam-briefing.com/news/the-guide-to-understanding-vietnams-industrial-zones.html/>

# BIBLIOGRAPHY

---

Star Cruises. (2017). "SuperStar Virgo Homeports in Manila This 2017." <http://promos.starcruises.com/index.php/superstar-virgo-homeports-in-manila-this-2017/>

Thailand Board of Investment. "Thailand Moving Ahead with Cluster Development." [http://www.boigo.th/upload/content/BOI-brochure-cluster%20area-EN-20151116\\_53354.pdf](http://www.boigo.th/upload/content/BOI-brochure-cluster%20area-EN-20151116_53354.pdf)

The Asia Foundation. (2011). Built on Dreams, Grounded in Reality: Economic Policy Reform in the Philippines. <https://asiafoundation.org/resources/pdfs/BuiltonDreamsGroundedinReality.pdf>

Tore, O. (2017). "Cruise Industry Blooms in Asia." FTN News. <https://ftnnews.com/cruise-travel/33157-cruise-industry-booms-in-asia.html>

UNCTAD. (2015). Key Statistics and Trends in International Trade. United Nations Conference on Trade and Development. [http://unctad.org/en/PublicationsLibrary/ditctab2015d1\\_en.pdf](http://unctad.org/en/PublicationsLibrary/ditctab2015d1_en.pdf)

UNCTAD. (2017). Review of Maritime Transport. United Nations Conference on Trade and Development. [http://unctad.org/en/PublicationsLibrary/rmt2017\\_en.pdf](http://unctad.org/en/PublicationsLibrary/rmt2017_en.pdf)

Wonglimpiyarat, J. (2014). "Strategic management of industrial clusters in Thailand" Innovation: Organization and Movement. <https://www.tandfonline.com/doi/abs/10.5172/impp.2006.8.3.273>

World Bank Group. (2017). "Advancing the Investment Agenda." Philippine Economic Update. <http://documents.worldbank.org/curated/en/746271491832911953/pdf/114151-REVISED-4-17-Philippines-Economic-Update-FINAL.pdf>

World Trade Organization. (2017). World Trade Statistical Review. World Trade Organization. [https://www.wto.org/english/res\\_e/statis\\_e/wts2017\\_e/wts2017\\_e.pdf](https://www.wto.org/english/res_e/statis_e/wts2017_e/wts2017_e.pdf)

World Trade Organization. (2018). Trade growth to sustain momentum in first quarter of 2018, latest trade indicator suggests. World Trade Organization. [https://www.wto.org/english/news\\_e/news18\\_e/wtoi\\_12feb18\\_e.htm](https://www.wto.org/english/news_e/news18_e/wtoi_12feb18_e.htm)

World Trade Organization. (2017). Trade recovery expected in 2017 and 2018, amid policy uncertainty. World Trade Organization. [https://www.wto.org/english/news\\_e/pres17\\_e/pr791\\_e.htm](https://www.wto.org/english/news_e/pres17_e/pr791_e.htm)

## LAWS AND ISSUANCES

Office of the President of the Philippines. Executive Order No. 170.

Office of the President of the Philippines. Executive Order No. 170B

Office of the President of the Philippines. Executive Order no. 204.

Presidential Decree 857 or the PPA Charter. [http://www.ppa.com.ph/sites/default/files/transparency\\_docs/PD\\_857.pdf](http://www.ppa.com.ph/sites/default/files/transparency_docs/PD_857.pdf)

Presidential Decree No. 1221 (1982). Requiring all Philippine -- Owned and/or registered Vessals to undertake repairs and Drydocking with Marina-Registered Ship Repair Yards. <http://marina.gov.ph/wp-content/uploads/2018/06/pd1221.pdf>

Republic Act No. 10668. An Act Allowing Foreign Vessels to Transport and Co-Load Foreign Cargoes for Domestic Transshipment and for other purposes

Republic Act. No. 9295 (2004). An Act Promoting the Development of Philippine Domestic Shipping, Shipbuilding, Ship repair and Ship breaking, Ordaining Reforms in Government Policies towards Shipping in the Philippines and for other purposes. [https://www.lawphil.net/statutes/repacts/ra2004/ra\\_9295\\_2004.html](https://www.lawphil.net/statutes/repacts/ra2004/ra_9295_2004.html)



## LIST OF PARTICIPANTS AT ROUNDTABLE DISCUSSION ON SEAPORTS AND SHIPPING

1. Alberto, Marilyn C. President, Philippine Multimodal Transport and Logistics Association Inc.
2. Alcuaz, Coco Executive Director, Makati Business Club
3. Basilio, Enrico Chairman, Transportation, Infrastructure and Logistics Committee, Philippine Chamber of Commerce and Industry (PCCI)
4. Borromeo, Gerardo President and CEO, Philippine Transmarine Carriers
5. Clemente, Aileen Representative, Rajah Travel Corporation
6. Co, Henry Governor, Department of Trade and Industry Board of Investments
7. Colona, Angelito Director of Transport Infra and Logistics, PCCI
8. Cruz, (Atty.) Maximo General Manager, Association of International Shipping Lines
9. Curay, Corazon Former President and Advocacy and Events Committee Chair, Supply Chain Management Association of the Philippines Inc.
10. De Quiros, Jay Economic Growth Specialist, Office of Economic Development and Governance (OEDG), United States Agency for International Development (USAID)
11. Del Rosario, Roberto General Manager, Cosco Shipping Philippines Inc.
12. Diallo, Jenna Deputy Director, Office of Economic Development and Governance, USAID
13. Dy Buco, (Atty.) Edward James Deputy Commissioner, Assessment and Operations Coordinating Group, Bureau of Customs
14. Enrile, (Capt.) Ronald Vice Chair, Angkla Partylist
15. Forbes, John Chief of Party, American Chamber of Commerce of the Philippines-The *Arangkada* Philippines Project
16. Gonzalez, Christian Senior Vice President, Regional Head-Asia Pacific, MICT and Head of Global Corporate, International Container Terminal Services, Inc.
17. Gottein, Florian Executive Director, European Chamber of Commerce of the Philippines
18. Hinchliffe, Ebb Executive Director, American Chamber of Commerce of the Philippines
19. Layug, James Director of Port Operation Service, Bureau of Customs
20. Leong, Flordeliza Assistant Vice President Advocacy and Communications Department, Philippine Exporters Confederation, Inc.
21. Lingad, Erich Public Relations Officer, Philippine Multimodal Transport and Logistics Association Inc.
22. Magsaysay-Ho, Doris Teresa Chairman Emeritus, Philippine Inter-Island Shipping Association
23. Malaluan, Soña Director II, Domestic Shipping Service, Maritime Industry Authority
24. Miole, Hector Assistant GM for Operations, Philippine Ports Authority
25. Mojica, Nicole Project Development Officer, Department of Transportation
26. Nague, (Atty.) Ferdinand President, Philippine Chamber of Custom Brokers Inc.
27. Pangilinan, Marissa Group Manager, Corporate Import Services Department, Universal Robina Corporation
28. Peña, Fernando President, MOF Company, Inc. / President, Management Association of the Philippines
29. Perez, Fernando Assistant Secretary for Martime, Department of Transportation
30. Pioquinto- Enriquez, Kareen Advocacy Manager, EU-Philippines Business Network
31. Raeuber, Michael President and CEO, Royal Cargo
32. Reider, Ludwig Chairman, Asia Pacific Projects Inc.
33. Ronas, Patrick President, Association of International Shipping Lines
34. Santiago, (Atty.) Jay General Manager, Philippine Ports Authority
35. Santos, Criselle Division Chief, Infrastructure Staff, Transport Division, National Economic and Development Authority
36. Schumacher, Henry Independent Industry Expert
37. Torres, Doris Director of Training and Education, Philippine International Seafreight Forwarders Association Inc.
38. Uckung, Ping President, Management Department, Cebu Ports Authority
39. Verdán, Angelo General Manager, Cebu Ports Authority
40. Yambao, Ronnie Office of the Deputy Administrator for Business, Subic Bay Metropolitan Authority

# LIST OF SPONSORS

---

- **The American Chamber of Commerce of the Philippines Inc.**
- **Australian-New Zealand Chamber of Commerce Philippines**
- **Association of International Shipping Lines, Inc.**
- **The Canadian Chamber of Commerce of the Philippines**
- **Confederation of Wearable Exporters of the Philippines**
- **Chamber of Custom Brokers, Inc.**
- **European Chamber of Commerce of the Philippines**
- **Foundation for Economic Freedom, Inc.**
- **Japanese Chamber of Commerce and Industry of the Philippines Incorporated**
- **Korean Chamber of Commerce Philippines**
- **Management Association of the Philippines**
- **Makati Business Club**
- **Philippine Association of Multinational Companies Regional Headquarters, Incorporated**
- **Philippine Ecozones Association**
- **Philippine Chamber of Commerce & Industry**
- **Philippine Inter-Island Shipping Association, Inc.**
- **The Philippine Exporters Confederation, Inc.**
- **Philippine Multimodal Transport and Logistics Association, Inc.**
- **Semiconductor and Electronics Industries in the Philippines Foundation, Inc.**
- **US-ASEAN Business Council**

# DISCLAIMER

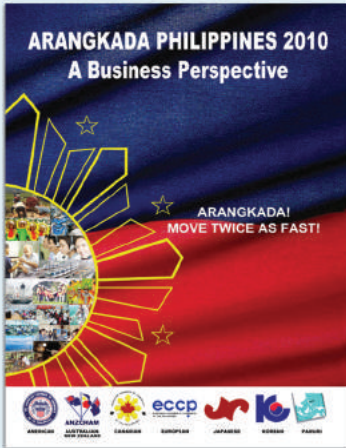
---

All rights reserved. This policy brief should not be reproduced in whole or in part, in any form, for commercial purposes. It is, however, an advocacy publication, and its use for investment climate policy advocacy is highly encouraged, with or without attribution.

All images contained in this policy brief are copyrighted to their respective photographers. *Arangkada* does not claim ownership of any of the images displayed in this policy brief.

This policy brief was made possible by the generous support of the American people through the United States Agency for International Development (USAID). The views expressed in this document are of The *Arangkada* Philippines Project, administered by the American Chamber of Commerce of the Philippines, and the listed business associations who participated in most of the advocacies herein described, but do not necessarily reflect the views of USAID and the United States Government.

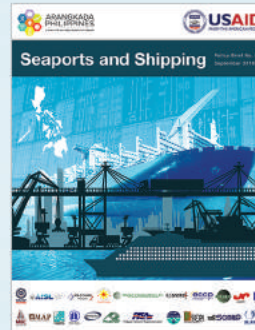
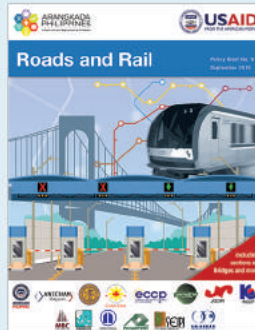
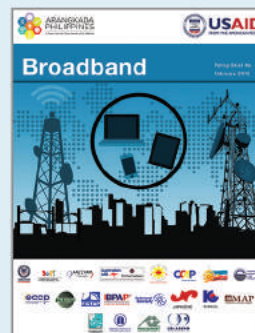
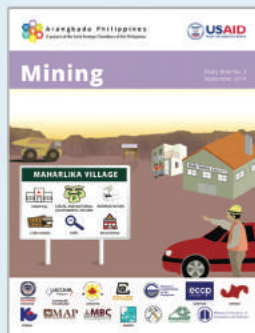
# ARANGKADA PUBLICATIONS



Arangkada Philippines 2010: A Business Perspective and Annual Assessments 2011-2016

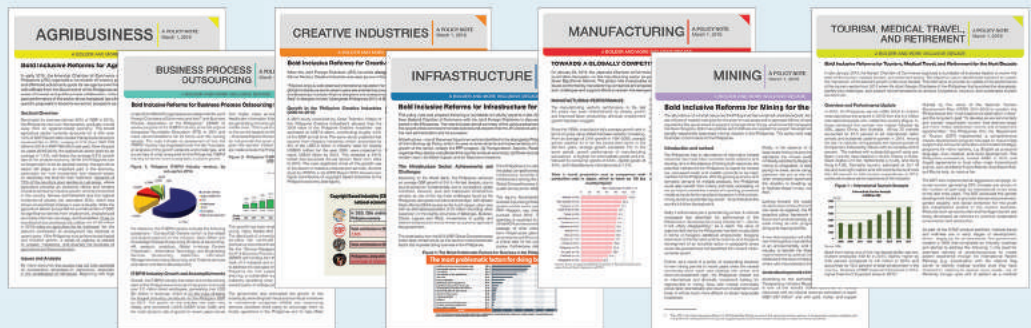


Arangkada Philippines: Implementing the 10-Point Agenda



## Policy Briefs

## Policy Notes



Published by:

The Arangkada Philippines Project (TAPP)  
 American Chamber of Commerce of the Philippines  
 7th Floor, Corinthian Plaza, 121 Paseo de Roxas, Makati City 1229, Philippines

Tel. No.: +63 (2) 818-7911 (loc. 204; 222); +63 (2) 751-1495/96 (DL)

Fax No.: +63 (2) 811-3081; +63 (2) 751-1496

Email: arangkada@arangkadaphilippines.com

Website: www.arangkadaphilippines.com