

Joint Foreign Chambers of the Philippines



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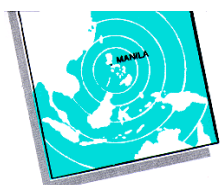
EUROPEAN



JAPANESE



KOREAN



PAMURI

American Chamber of Commerce of the Phils., Inc. ♦ Australian-New Zealand Chamber of Commerce (Phils.), Inc.
Canadian Chamber of Commerce of the Phils., Inc. ♦ European Chamber of Commerce of the Phils., Inc.
Japanese Chamber of Commerce & Industry of the Phils., Inc. ♦ Korean Chamber of Commerce of the Phils., Inc.
Philippine Association of Multinational Companies Regional Headquarters, Inc.

May 25, 2011

Mr. Jose P. De Jesus
Secretary
Department of Transportation
and Communications
16th Floor, Columbia Tower
Ortigas Avenue, Mandaluyong City

Dear Secretary De Jesus:

On March 30 the Joint Foreign Chambers hosted the Seven Big Winner Sectors Workshop at the Asian Institute Management Conference Center in Makati to revalidate 283 Seven Big Winner Sectors recommendations in the *Arangkada Philippines 2010* report. Sponsored by the Joint Foreign Chambers, *Arangkada Philippines 2010* presents a path for the Philippines to become a middle-income economy with robust investment levels, high levels of job creation, modern infrastructure, and rising government revenues to pay for enhanced social services.

At the Workshop expert moderators from the private and public sectors led Breakout Sessions with industry and government participants that prioritized near and medium term recommendations for Investment Climate reforms. We would like to share the status of the recommendations identified in the Breakout Session on **Infrastructure (Airports)**.

Highest Priority Recommendations. The Breakout Session affirmed the following *Arangkada Philippines* reform recommendations to be of the highest priority:

- 1) Establish firm policy on Philippine International Gateways:
 - eventually make Clark the primary international gateway and NAIA the secondary, but still the primary domestic hub. Connect with a high-speed rail line; and
 - when most international traffic is moved to Clark, there should be a second parallel runway and a terminal with a 20-million passenger capacity.
- 2) Resolve the status of NAIA IP T-3; the local Expropriation Court should decide the amount due to T-3 investors. A faster solution, however, would be to create a transparent bidding for T-3 to local and foreign investors; that should establish the real value of the infrastructure and would allow the government to pay the original investors.
- 3) Resolve the downgrading of the CAAP from Category 1 to Category 2 status by the US FAA and the 2010 EU decision to prohibit Philippine carriers from European airports.
- 4) Complete US\$270 million GOJ-funded Communications, Navigation, and Surveillance/ Air Traffic Management project of the DOTC to modernize Philippine airports and improve air travel safety.

- 5) The local Expropriation Court should quickly decide the amount due to NAIA T-3 investors.

Highest Priority, Ongoing Recommendations. The Breakout Session identified the following *Arangkada Philippines* reform recommendations as highest priority, ongoing:

- 1) Prioritize investments in airport terminal, runway, and communication facilities. There is a need for an NCR/Central Luzon Transportation Master Plan.
- 2) Outside Central Luzon, priority should be given to Laguindingan in Northern Mindanao.

Completed Recommendations. The Breakout Session singled out as a completed *Arangkada Philippines* reform recommendation:

- 1) Make Palawan a Tourism Economic Zone by adopting pocket open skies.

Recommendations Not Under Way. The Breakout Session identified the following *Arangkada Philippines* reform recommendations as not yet under way:

- 1) A new fuel depot for NAIA is needed as the current depot leaks and is too close to T-1 and T-2.
- 2) T-1 should undergo phased renovation for continued use by long-distance wide body aircraft.
- 3) There should be only one international airport per region, with existing airports converted into international airports, in preference over building new airports.
- 4) Revise take off and landing fees, make weight the main determinant, charge the same fees to international and domestic airlines.
- 5) Modify equity rules to allow Asian low-cost carriers to compete in the domestic market.

In addition, the participants of the Breakout Session identified two other reform recommendations not in *Arangkada* but we would like you to consider:

- 1) Establish firm policy on the privatization of public utilities.
- 2) Define the legal aspects of airport privatization.

The Workshop affirmed that a strong start has been made on the reforms needed to accelerate investment and job creation. Recommended reforms are under way. Results of the improved Investment Climate should begin manifesting themselves in 2011, and even more in 2012.

But major challenges remain - including unanticipated ones - and the implementation of other important reform recommendations is not yet under way. Be assured that we remain committed to a partnership with the Aquino Administration to achieve the goal of an accelerating economy for the benefit of the Filipino people.

We look forward to another opportunity to discuss these issues with you in the months ahead.

Best Regards,



AUSTEN CHAMBERLAIN

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American Chamber of Commerce
of the Philippines, Inc.



JOHN CASEY

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JULIAN PAYNE

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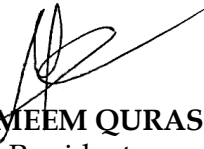
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Cc:

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