

Joint Foreign Chambers of the Philippines



AMERICAN



AUSTRALIAN-NEW ZEALAND



CANADIAN



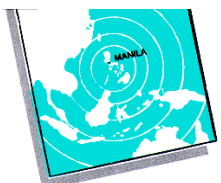
EUROPEAN



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 27, 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 (Seaports)**.

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

- 1) The recommended NCR/Central Luzon Transportation Master Plan should include a strategy for future utilization and development, until mid-century, of the major international seaports in Central Luzon, the Visayas, and Mindanao:
 - PPA should take the lead in a transport study to identify the ideal capacity ports should have in relation to adjacent roads;
 - a cap on TEUs per port should be established; and
 - the study should also plan for the development of an inter-modal system with rail, roads, and waterways.
- 2) Amend the RORO policy to include chassis RORO as part of the service in support of ASEAN RORO; reduce domestic shipping costs.
- 3) Adopt a firm policy to gradually shift international container shipment volume from Manila (South Harbor and MICT) to Batangas and Subic; retain North Harbor as a domestic port, shift foreign cargoes to Batangas and Subic, and make Manila a cruise port.
- 4) Enact of the Maritime Code of the Philippines.

- 5) Improve CIQ in foreign ports.
- 6) Port development in the Philippines should follow a hub-and-spoke system.
- 7) MARINA must have greater political will to impose higher standards on quality, safety, and environmental protection following international practices, which will help create a more mature and efficient Philippine shipping industry.
- 8) Review cabotage restrictions with an intention of easing them through Consortium Shipping or other methods.

Completed Recommendations. The Breakout Session identified the following as a completed *Arangkada Philippines* reform recommendation:

- 1) No or minimal increase in port charges in recent years which in previous years added to cargo expenses; PPA should find innovative ways to cut costs and increase revenue aside from continuously increasing fees.

Ongoing Recommendations. The Breakout Session categorized the following *Arangkada Philippines* reform recommendations as ongoing:

- 1) Improvement of port facilities to handle both containerized and non-containerized cargoes:
 - major ports should include all needed infrastructure including container terminals, cranes, truck marshalling areas, and weighing scales;
 - major RORO ports should have modern passenger terminals with connected bus terminals, security systems, and berthing spaces with good road access;
 - port infrastructure should also include facilities to accommodate bulk and break bulk cargoes; and
 - installation of weigh bridges at ports.
- 2) Reduce fees at container and other ports:
 - remove unnecessary (as well as unauthorized) fees affecting RORO traffic; and
 - container shipping costs should be reduced by (a) eliminating the double charging of separate stevedoring and arrastre charges by rationalizing them into one cargo handling charge; and (b) no arrastre fee should be charged for RORO and LOLO which discharge directly onto the truck bed.

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

- 1) The practice of extorting illegal fees from truckers should be stopped by LGUs; lighted, safe, and secure rest areas should be provided along the nautical highway.
- 2) RORO bills of lading should be more transparent.
- 3) Create a National Port Advisory Council that would define policies for ports and put jurisdiction of all ports under the DOTC.

Low Priority Recommendations. The Breakout Session singled out as a low priority *Arangkada Philippines* reform recommendation:

- 1) PPA should consider creating a private corporation to develop ports and privatize the ports through an IPO to create broad ownership.

In addition, the participants of the Breakout Session identified a reform recommendation not in *Arangkada* that we would like you to consider:

- 1) Privatization of five ports in Mindanao:¹
 - Davao;
 - Cagayan de Oro;
 - Zamboanga City;
 - Zamboanga del Norte; and
 - General Santos.

The Workshop affirmed that a strong start has been made on the reforms needed to accelerate investment and job creation. A number of recommended reforms have been implemented and a considerable number 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.

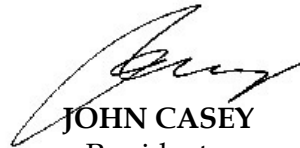
We look forward to another opportunity to discuss these issues with you in the months ahead.

Best Regards,



AUSTEN CHAMBERLAIN
President

American Chamber of Commerce
of the Philippines, Inc.



JOHN CASEY
President

Australian-New Zealand Chamber
of Commerce of the Philippines, Inc.



JULIAN PAYNE
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¹ There should be multiple operators for these ports to encourage competition and avoid monopoly.



N OBUYA ICHIKI

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EUN GAP CHANG

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Korean Chamber of Commerce
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SHAMEEM QURASHI

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Cc:

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