



Study to Decongest Manila and Divert Container Traffic to Subic and Batangas Ports


Presentation to the
Joint Working Group on Infrastructure,
Transport and Logistics
National Competitiveness Council/
Export Development Council

25 October 2012




Presentation Outline

- Study Objectives
- GCR Ports Development Framework
- Trends and Present Situation
- Traffic Forecast and Port Allocation Scenarios
- Draft Recommendations



Study Objectives

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Study Objectives

- *Review the development policies and strategies on Greater Capital Region port expansion and operation*
- *Formulate strategies to improve the utilization of Batangas and Subic Ports*
- *Undertake a series broad-based consultation with stakeholders*

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GCR Ports Development Framework

- *JICA Master Plan for the Strategic Development of the National Port System (2004)* proposed the development of international container gateway ports at Greater Capital Region (GCR) to handle the containerized cargo concentrated in Manila across a wider area



GCR Ports Development Framework

- To meet the cargo demand with minimum negative economic externalities related to road traffic congestion, the expansion of existing ports in Manila is to be avoided
- Non-consumer goods such as agro-industrial products should be handled outside NCR
- Subic Bay Port and Batangas Port should be developed intensively

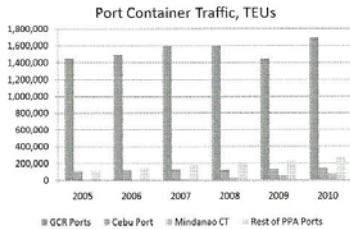



Trends and Present Situation



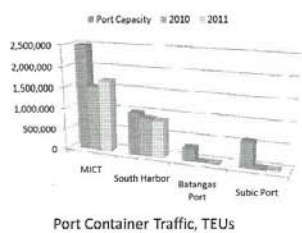
Philippine Foreign Container Traffic

- 77.1% of export and import containers shipped through GCR Ports in 2010
- Significant container traffic handled at Cebu Port (6.7%) and Mindanao Container Terminal (3.6%)



 **GCR Ports Container Traffic**


- In 2011, 98.2% of GCR foreign container traffic handled at Manila Port (MICT and South Harbor)
- Port capacity utilization at Batangas and Subic at 4.2% and 5.6%, respectively



Port Container Traffic, TEUs

Underutilization of Batangas & Subic Ports is a major development concern

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 **Container Shipping Services**

- Manila Port is the port-of-call of 23 liner container shipping companies serving Intra-Asian trade covering 65 service networks
- MCC Transport calls at Batangas Port on weekly basis (Saturdays). Wan Hai and APL have weekly direct calls to Subic Bay every Wednesday and Thursday, respectively

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Container Shipping Services

- Batangas Port requires direct outbound feeder services to Singapore Port, while Subic Port needs direct connection to Japan/Hong Kong/Singapore hub ports
- Feeder shipping lines such as NYK expect base load of 300-400 TEUs to operate new weekly service to Batangas and Subic Ports



Port and Shipping Prices

- For port-related charges (including the land-side trucking services), Batangas Port offers 10% cost savings (₱1,452/40 footer), while Subic offers 52% comparative advantage (₱7,466/40 footer) over the Port of Manila
- Subic's cargo handling tariff is significantly lower than Manila Port, but charges for administrative and inspection services appear to be much higher than those for Manila



Port and Shipping Prices

- On shipping costs, it is cheaper to ship via Manila. Manila offers distinct cost advantage, in terms of *basic ocean freight charges*
- For MCC/Maersk operations, import/inbound freight from Singapore to Manila is US\$100 and US\$170 cheaper than to Batangas for a 20-footer container and a 40-footer container, respectively



Port and Shipping Prices

- No freight cost differential for exports bound for Kaohsiung; however Batangas has a longer transit time of 3 days vs. 1-2 days for Manila
- Inbound containerized cargo transshipped from Singapore to Batangas appears to be more expensive than Manila (US\$300 vs. US\$100, or cost difference of US\$200 for bunker adjustment factor alone)




Port and Shipping Prices

- For exports via Subic, ocean freight is US\$100 and US\$150 higher than Manila
- Ocean freight to Hong Kong costs US\$500 from Subic, and US\$ 80 - US\$ 100 from Manila
- Singapore-Subic leg also costs 15% more than Manila




Land Transport and Logistics

- Majority of truckers and freight forwarders/logistics companies based in Metro Manila
- Special economic zones function mainly as sites for manufacturing industries without consideration of value-added services in logistics
 - **Potential role in directly providing or promoting establishment of ecozone-based consolidation centers**

 **Metro Manila Road Congestion**


- Truck ban imposed in Metro Manila to help alleviate worsening vehicle traffic congestion, but this scheme impedes trade facilitation
- Roads leading to the Manila Port, specifically: portions of A. Bonifacio Drive, Del Pan Street/Bridge and R-10 have average speeds ranging from 10-20 kilometers per hour

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 **Metro Manila Road Congestion**

- 26.5% of total vehicles operating within the periphery of Manila Port are container trucks (loaded and empty)
- This translates to 44.2% of traffic in passenger car units (PCUs)

Vehicle Composition in Manila Port Roads, 2011



- Car/Van
- Jeepney
- Bus
- 2-axle Truck
- Container Truck

Road congestion due to foreign container trucks confined to periphery of Manila Port

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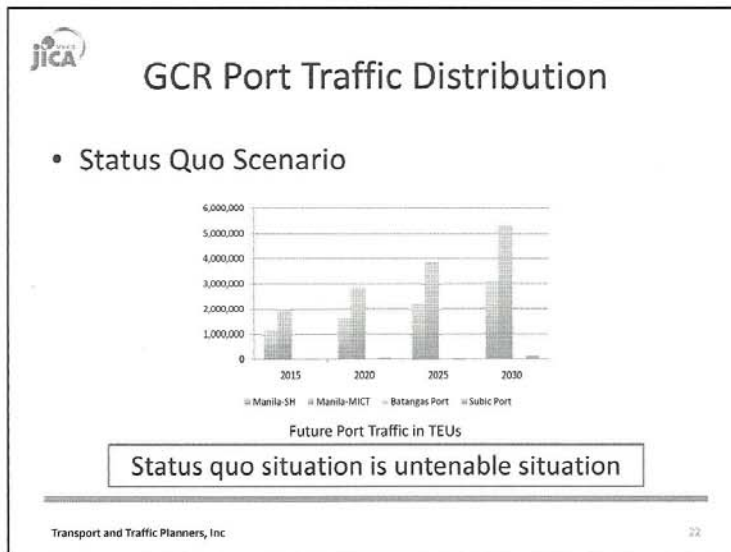
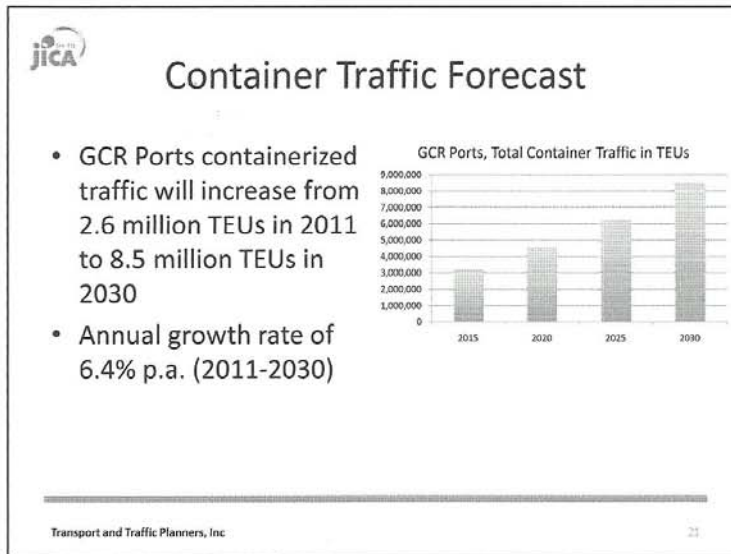
Metro Manila Road Congestion


- Proposed NLEX-SLEX Connector Road and Skyway Stage 3 Projects to improve truck flows in Metro Manila
- Faster turnaround of truck-trailers expected with expanded off-port container yards strategically located within Metro Manila

Road congestion associated with Manila Port not the critical issue




Traffic Forecast and Port Allocation Scenarios



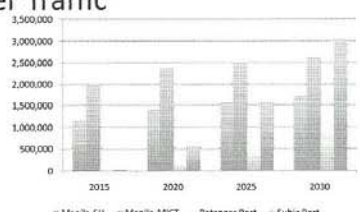
 **GCR Port Traffic Distribution**

- Government intervention required to balance port traffic distribution among GCR Ports
- Economic benefits include:
 - savings in port expansion investment
 - Metro Manila road congestion cost savings
 - savings in vehicle operating costs for shipments to Batangas and Subic Ports from their port hinterland
 - promotion of Subic-Clark-Manila-Batangas (SCMB) transport and logistics corridor development in consonance with the PDP development strategies

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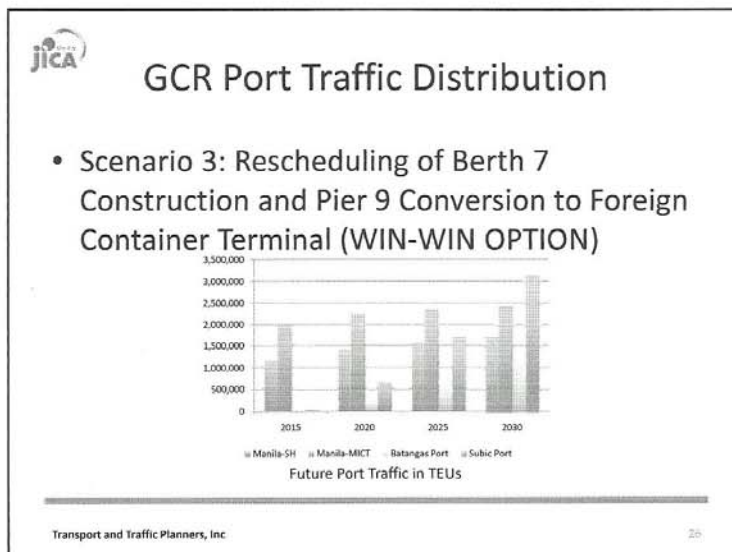
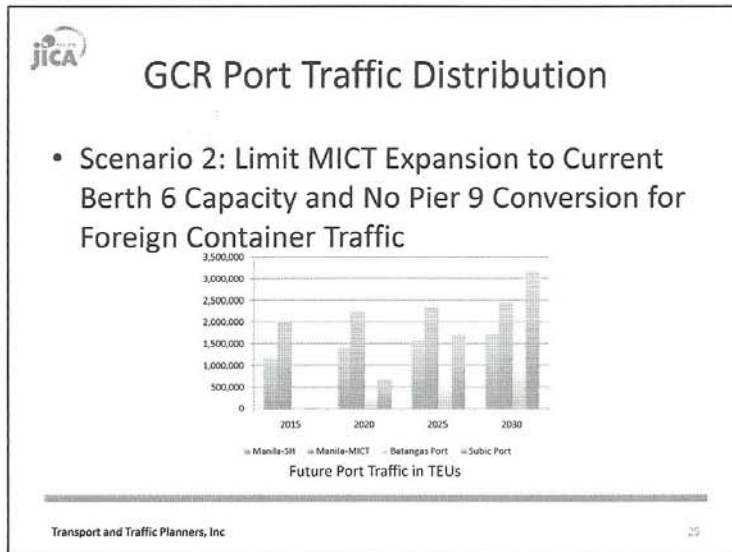
 **GCR Port Traffic Distribution**

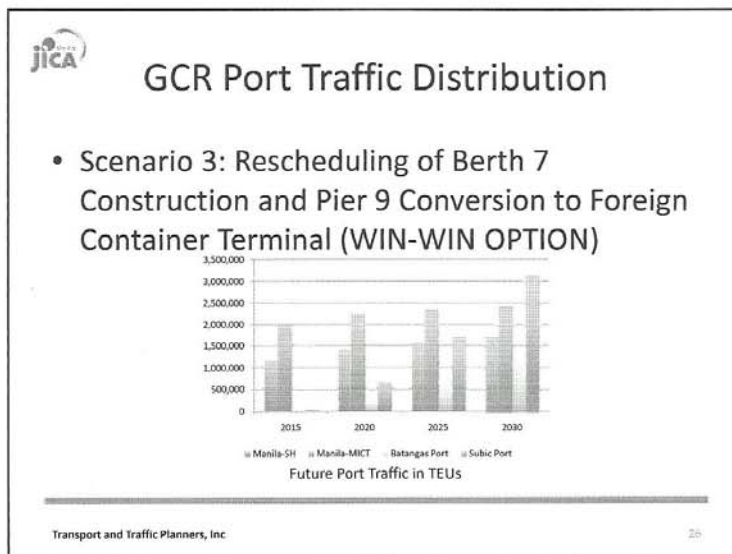
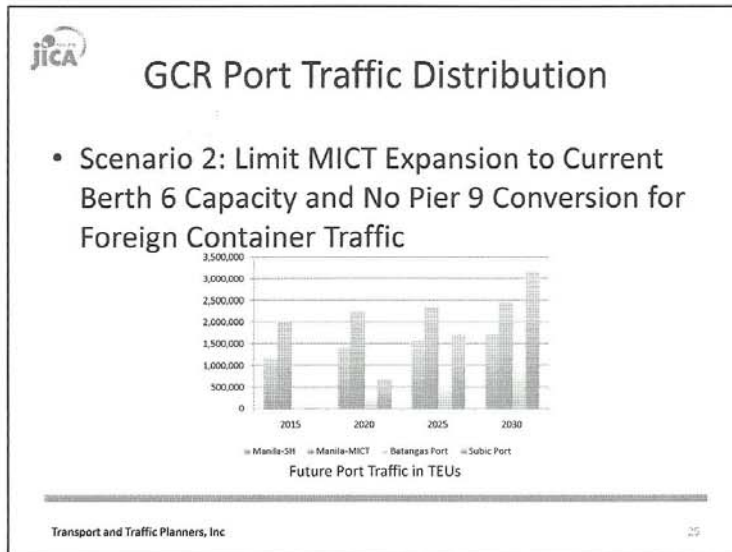
- Scenario 1: Limit MICT Expansion to Berth 7 Capacity and No Pier 9 Conversion for Foreign Container Traffic




| Year | Manila-SH | Manila-MICT | Batangas Port | Subic Port |
|------|-----------|-------------|---------------|------------|
| 2015 | 1,000,000 | 1,800,000 | 1,200,000 | 800,000 |
| 2020 | 1,200,000 | 2,200,000 | 1,400,000 | 1,000,000 |
| 2025 | 1,400,000 | 2,500,000 | 1,600,000 | 1,200,000 |
| 2030 | 1,600,000 | 2,800,000 | 1,800,000 | 1,400,000 |

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Draft Recommendations

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Draft Recommendations

- Policy Directives:
 - Option 3: Reschedule port investment in MICT/South Harbor capacity expansion by 10 years
 - EO to be issued directing DOTC to implement policy reforms in GCR port development/operation
 - DOTC to issue policy directives (based on economic and financial analyses and legal due diligence review of required amendments to existing MICT/South Harbor concession agreements)

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Draft Recommendations

- Shipping Services Intervention:
 - DOTC to bid under “Take or Pay” arrangement the provision of additional weekly feeder container service/s (Port of Singapore and Japanese port/s)
 - “take or pay” arrangement involves an agreement between two parties where one agrees to either buy certain goods or services from the other on a certain date or to pay for them even if that party does not need them on that date



Draft Recommendations

- Shipping Services Intervention:
 - Open to all shipping companies or limited to Philippine flag vessels. If limited to Philippine flag vessels, large potentials to avail of incentives under RA 7471 (Philippine Overseas Shipping Development Act) and DBP’s Connecting Rural Urban Intermodal Systems Efficiently (CRUISE) Program
 - Government subsidy to feeder container shipping services for a fixed period
 - Needs EDC/PEZA support in securing container loads



Draft Recommendations

- Coordinative Mechanisms:
 - National Port Development and Investment: Establish the DOTC-led Greater Capital Region Ports Development Advisory Committee (PDAC) to rationalize port investment and capacity expansion in the GCR Ports, with the end in view of improving utilization of the Batangas and Subic Ports. PDAC to report to NEDA Infrastructure Committee and Eco. Devt Cluster Meeting.



Draft Recommendations

- Coordinative Mechanisms:
 - PPA Port Operations: Reactivate the PPA National Port Management Advisory Council (Subic Bay Maritime Summit recommendation, 23-24 August 2012)
 - Port-Level: Create the PPA Batangas Port Advisory Committee and Subic Port Users' Association, which should include the Bureau of Customs as one of main stakeholders



Draft Recommendations

- Port Marketing and Pricing Strategies:
 - Adopt and implement Port Promotional and Incentive Package, which will offer substantive reduction or discounts in port dues and other charges
 - Reduce cost of ancillary ship services, e.g., tug services



Draft Recommendations

- Port Marketing and Pricing Strategies:
 - Establish logistics/consolidation centers within or close to Batangas and Subic Ports
 - Expand the less than container load (LCL) export market for Batangas and Subic Ports
 - Consider cargo reservation for Government projects
 - Pursue aggressive marketing with feeder container shipping lines to supplement the new take or pay service subsidized by the National Government



Draft Recommendations

- Trade Facilitation and Logistics:
 - Improve Bureau of Customs procedures to reduce transaction costs and to ensure connectivity with the Port IT systems introduced in Batangas and Subic Ports by concessionaires
 - Pursue the Luzon Transport and Logistics Study



THANK YOU

JICA STUDY TEAM FROM
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