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SUBJECT: Construction of Temporary Access Road to Batangas Port

Dear Mr. Gambito:

This has reference to your letter dated 18 October 2004 and received at this Office on 19 October 2004. First of all, we would like to assure you that there is no intention whatsoever to cover up any alleged profligate expenditure for any project.

Allow me to present an explanation of how we arrived at this situation:

1. **Historical background.** The temporary access road is linked to the Phase II of the Batangas Port Development Project. A foreign loan for Phase II was acquired from the Japan Bank for International Cooperation (JBIC) on 07 January 1999 in the amount of ¥14.55 Billion (about ₱4.16 Billion at 1999 forex). Package 1 (Civil and Marine Works) of Phase II was advertised for bidding on 01 September 1999 and a contract was awarded on 05 December 2001. **Please take note that the bidding for this foreign-assisted Project was completed in 27 months.**

On the other hand, the temporary access road, a locally-funded project using PPA's corporate funds, was advertised for bidding on 20 February 2001 and a contract was awarded on 16 May 2001.

2. This Locally-Funded Project was included in the 2000 Capital Outlay Budget which was subsequently approved by the PPA Board of Directors. Exhaustive consultations with all stakeholders were conducted prior to consideration for inclusion.
3. At the time that this locally-funded Project was being considered for implementation, there was already an ongoing bidding for the implementation of the foreign-assisted Batangas Port Development Project Phase II under financing by the Japan Bank for International Cooperation (JBIC).

4. Due to the uncertainty at that time about whether or not this foreign-assisted Phase II would push through, a decision had to be made on the locally-funded temporary access road since access to and from Batangas Port had become a serious problem. The access road had become very dilapidated, full of potholes and very muddy during the rainy season. This access road was also being used as a bypass to and from the City proper.
5. PPA Management had originally considered implementing the temporary access road as a four-lane road with a with a length of 1.9 kilometers, a width of 15 meters and a thickness of 20 centimeters for trucks (T-14). It was then bid out in accordance with existing laws, policies, rules, regulations, processes and procedures for the procurement of civil works contracts.
6. During the implementation, there were urgent requests from port users as well as from the Batangas City Government to widen the temporary access road to 20 meters (to accommodate the additional center island, shoulder and slope protection) and increase the thickness to 25 centimeters needed to accommodate 40-ft. trailers and trucks (T-20). In addition, lighting facilities had to be added to ensure safety and security along the road.
7. PPA Management considered the trade-offs between two alternatives. One was to continue with the temporary access road as originally designed (four-lane and 20 cm. thick) which was liable to deteriorate very quickly considering that even large trucks with heavy loads were now using the road. This would entail major repair immediately after completion, not to mention the inconvenience to the road and port users, and regular repair thereafter. In addition, port users would be adversely affected since arrival in and departure from the port would be delayed, considering that buses and trucks are not allowed by ordinance of the City Government to use the city streets to gain access to the Port.

The other alternative was to widen and increase the thickness of the pavement of the road and prevent early deterioration. It was a calculated decision, since at this time (2001), there was still no resolution regarding the bidding of the foreign-assisted (JBIC) Phase II for the Batangas Port Development Project, and no assurance that Phase II would proceed.

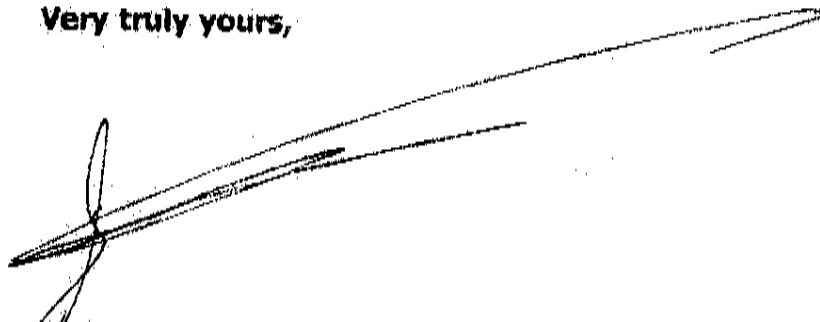
8. Aggravating and, in fact, jeopardizing the Phase II Project was the presence of informal settlers. PPA succeeded in relocating these communities at a cost of ₱7.4 Million to make way for the Phase II Project.

9. In retrospect, the cost of the temporary access road may appear to be on the high side. However, considering the problems besetting the Phase II Project at that time, the decision to widen and increase the thickness was a reasonable one and had to be made. The permanent access road with a different alignment will be constructed as part of the foreign-assisted Phase II Project. It may be asked at this point why PPA did not instead construct an access road along the permanent alignment in the first place and in the process save the cost of the temporary access road. The reason is that at the time that the Phase II was being bid out, there were major problems with the rights-of-way (lot owners) and with informal squatters. Had the implementation of the Phase II Project not proceeded, PPA would not have relocated the informal settlers and acquire the needed rights-of-way that was achieved at a very steep price. To date, outright land purchase from owners selling voluntarily, zonal value payments and land acquisition (through expropriation by court order) have reached a total of ₱430.06 Million in exchange for a total acquired area of 11.7 hectares for the implementation of Phase II. Compare this to the actual cost of the temporary access road which was ₱41.2 Million, all of this being done to develop Batangas Port into a world-class international port.

(Note: Phase II includes another package involving the construction of a flyover going to Batangas Port. This also has its related right-of-way issues which has not been resolved by the DPWH that the Consultant is now considering an alternative alignment. It is expected that this will add to the already substantial ROW costs and further delay of the Project.)

It is hoped that the foregoing sheds sufficient light and lays your concerns to rest.

Very truly yours,



Atty. OSCAR M. SEVILLA
General Manager