



Philippine Chamber of Commerce and Industry

June 7, 2001

MR. ALFONSO CUSI

General Manager

Philippine Ports Authority

Marsman Bldg., Port Area

Manila

Re: Comments on the PPA Alternative Master Plan for North Harbor

Dear Mr. Cusi:

First of all, allow me to thank you for presenting to us the Alternative Master Plan of the Philippine Ports Authority (PPA) for the Manila North Harbor on 21 May 2001.

We reviewed the proposed Alternative Plan and are pleased to submit our initial comments for your consideration.

We take exception on the total absence of a declaration from PPA, as a matter of policy, to have real competition in the proposed plan. The "earlier" plan referred to in the document calls for a port monopoly, first under the *unified contractor scheme* and later on, under the *single terminal operator* concept. The only difference between the original plan and the proposed alternative plan is the exclusion of the social costs from the total port development cost but the approach, in our perception, remains the same—i.e., monopoly. Dividing North Harbor into three areas providing distinct services does not constitute competition.

Per our telephone conversation this morning, you mentioned that the proposed alternative plan assumes that the government will be the one to develop the Manila North Harbor. However, if the private sector will come in, they will be allowed to offer and provide a wide range of port services and develop the port in a way that would support their operation. Given this clarification, may we request that a definitive policy, one that promotes true competition, transparency and greater private sector participation and consultation, will be enunciated as a guiding principle in the privatization of the Manila North Harbor. Only then can we have a truly meaningful port modernization program that best serves the public interest.

14th Floor, Multinational Bancorporation Building, 6805 Ayala Avenue, Makati City

Tel. No(s): 843-4133 ; 843-3374; 843-4128; 843-3176; 843-4098

• Fax No(s): (632) 843-4102 / 4103 • E-Mail: pccham@mezzcom.com • Website: philcham.com

For us, what constitutes true competition is having at least two terminal operators providing the widest range of port services and facilities that could handle containerized and break bulk cargoes carried by LO-LO and RO-RO vessels.

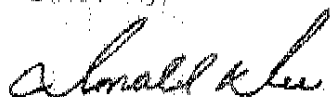
We recommend that:

1. there should be no cross ownership in the three areas of the port;
2. the shipping companies should not be allowed to participate in the operation of the port as this constitutes "restraint of trade".

We welcome this consultative process you have started and rest assured that we will continue to give our inputs in order to ensure that the modernization program will promote the common good.

Our detailed comments based on the documents you provided us are contained in Attachment A.

Sincerely,



DONALD G. DEE

Vice-President, Industry

Chairman, North Harbor Privatization Committee

cc: H. E. Gloria Macapagal - Arroyo
The PPA Board

Attachment A
INITIAL COMMENTS ON THE PROPOSED NORTH HARBOR
DEVELOPMENT PLAN

ISSUES	COMMENTS
<p>1. POLICY DECLARATION: "In view of developments that have put on hold an earlier Modernization Program for the Manila North Harbor through private sector privatization, PPA has conceptualized an Alternative Master Plan that excludes the related social costs (relocation of informal settlers) and proposes a phased implementation that will provide the least disruption or effect on operations".</p>	<p>a. The "earlier" plan referred to is a port monopoly under a unified contractor scheme (EO 59) or single terminal operator (STO) concept.</p> <p>b. This "alternative" plan follows the same concept of the original plan (i.e., monopoly). The only difference is that the "social cost" is now excluded from the total port development cost.</p>
<p>2. Under the proposed plan, north harbor will be divided into 3 areas:</p> <p>Area 1 (Piers 2-4) will handle breakbulk cargoes and small vessels.</p> <p>Area 2 (Piers 6-12) will handle RORO vessels and house the Passenger Terminal Building (PTB).</p> <p>Area 3 (Piers 14 - Marina Slipway) will handle LOLO vessels.</p>	<p>There is no real competition under this plan. Competition cannot be defined as RORO vs. LOLO vs. breakbulk.</p> <p>Considering that some LOLO vessels carry not only cargoes but also passengers (28% of total shipcalls), there might be a necessity to provide another PTB in Area 3 (see Table I). Since this necessitates 2 PTBs, then the two areas (Area 2 and 3) may be developed and operated as two terminals servicing both RORO and LOLO vessels.</p> <p>Our proposal is to divide North Harbor into (at least) two terminals, each terminal offering a full range of port services (LOLO, RORO, breakbulk).</p>
<p>3. Dredging alongside the berths and of the fairway is estimated to be at 3.1 million cubic meters.</p>	<p>Who will undertake the dredging?</p> <p>If there will be two or three operators, it will very difficult to divide the channel and allocate the area to be dredged (as well as the cost) to the different operators. Monitoring of compliance may also prove difficult.</p>

	PPA should undertake the dredging.
4. Phasing of development	There is no real need to divide the development of North Harbor into phases. Based on our study on two operators, the development of the North Harbor can done simultaneously without causing too much disruption in port operations.
4. Productivity	There is no indication as to the equipment requirement or productivity levels that must be achieved at the North Harbor.
5. Number of Berths and Quay Length	<p>It seems that PPA is using the original cargo forecast (up to year 2013) contained in the original development plan done by Halcrow-Fox both for the studies on One Operator and Two Operators.</p> <p>Since we used the same cargo forecast in our (PCCI) own study, there shouldn't be significant difference on the number of berths and berth length (See Table 2).</p>
6. Financial viability	The proposed plan is not backed up by a feasibility study that will establish it viability.