



**USAID**  
FROM THE AMERICAN PEOPLE

# **Industry Study: Seizing Opportunities to Maximize Growth in Batangas City**

## **Investment Enabling Environment (INVEST) Project**

**Output No. 2.1, Deliverable 2, Program Area 2.3, Component 2**

Submitted to:

U.S. Agency for International Development  
Office of Economic Development and Governance  
under Contract No. AID-492-C-11-00005

September 28, 2013

By Orient Integrated Development Consultants, Inc. (OIDCI)  
FSS Building, 89 Scout Castor Street, Quezon City, Philippines  
Tel. No.: 374.0757; Fax. No.: 413.232

# TABLE OF CONTENTS

<b>List of Acronyms</b> .....	iii
<b>I. Introduction</b> .....	1
A. Context of the Study .....	1
B. Objectives .....	1
C. Sources of Information and Methods of Analysis.....	2
<b>II. Context of Batangas City’s Growth Potential</b> .....	3
A. Batangas City: A Brief Profile .....	3
B. Batangas City in National and Regional Development Goals and Strategies .....	5
C. Batangas City’s Plan and Strategy for Economic Development .....	6
D. City’s Competitive Ranking .....	7
<b>III. City Industry and Enterprise Structure</b> .....	8
A. Magnitude of Enterprises and Structure of Industry .....	8
B. Positive Factors for Industry Growth .....	10
<b>IV. The Potential for Industry Growth in Batangas City</b> .....	12
A. Opportunities for Industry Growth in Batangas City .....	12
B. Potential Industry Drivers in the City: A Story for Consideration .....	13
C. Other Prerequisite Conditions for Promoting the Industry Drivers .....	14
<b>References</b> .....	21
<b>List of Tables</b>	
Table 1. Number of Enterprises by Major Sub- sectors, 2011- 2012 .....	8
<b>List of Figures</b>	
Figure 1. Breakdown of Industry, by Sub-sector, 2012 .....	9
Figure 2. Breakdown of Registered Businesses in the Services Sector, 2012 .....	9
<b>Annexes</b>	
Annex 1. Map of Batangas Province .....	17
Annex 2. Map of Batangas City.....	19
Annex 3. Philippine Standard Industry Classification (PSIC).....	20

## LIST OF ACRONYMS

BPLD	Business Permits and Licensing Division
CALABARZON	Cavite, Laguna, Batangas, Rizal and Quezon
CLUP	Comprehensive Land Use Plan
CPDO	City Planning and Development Office
CTO	City Treasurer's Office
DOT	Department of Tourism
DOTC	Department of Transportation and Communication
DTI	Department of Trade and Industry
ha	hectare
INVEST	Investment Enabling Environment Project
IRA	Internal Revenue Allotment
LGU	Local Government Unit
MSME	Micro, Small, and Medium Enterprises
NCC	National Competitiveness Council
NSCB	National Statistical Coordination Board
OFW	Overseas Filipino Worker
PPA	Philippine Port Authority
PDP	Philippine Development Plan
PEZA	Philippine Economic Zone Authority
PSIC	Philippine Standard Industry Classification
RDP	Regional Development Plan
REID	Research, Education, and Institutionalization Development
Ro-Ro	Roll-on Roll-off (system)
SLEX	South Luzon Expressway
STAR	Southern Tagalog Arterial Road
TESDA	Technical Education and Skills Development Authority
TEU	Twenty-foot Equivalent
USAID	United States Agency for International Development

# I. INTRODUCTION

## A. Context of the Study

Robust and stable industries play an important role in the development and growth of cities. As engines of growth, they attract investments and provide impetus to the growth of the local economy. The viability and strength of local industries dictate the rate and sustainability of local economic growth.

The impact of sustainable industries encompasses their forward and backward linkages and thus the areas where these linkages are located. They create opportunities for both upstream and downstream economic activities to happen which, in turn, lead to further growth and development – from the household to the firm, to the city, to the province, to the region, and to the nation.

Cities vary in terms of the types of industries that had been developed and how these industries contribute to the overall growth and development of the city. The Investment Enabling Environment (INVEST) Project, which is a two-year undertaking of the United States Agency for International Development (USAID), commissioned the conduct of studies that would examine the leading industries that would propel the growth of the three partner cities of the Project. The studies were triggered by consultations with city officials and officers of local business chambers, which indicated that they were unaware of the potentials of the cities for industrial growth and where these potentials lie. Information from the studies are therefore envisioned to contribute in accelerating economic growth in the partner cities by directing potential or prospective investors to sectors where their investments can yield better, if not best, returns, and to guide where government, both local and national, can focus incentives and other interventions to support and encourage such investment inflows.

The city of Batangas is considered one of the key cities with a huge potential for growth in the Cavite, Laguna, Batangas, Rizal and Quezon (CALABARZON) Region. An examination of the structure of its various industries and enterprises, the resources available in it, as well as the opportunities it could tap is necessary and important to help its various stakeholders (i.e., the local government unit or LGU, business community, civil society, and academe) to identify specific industry clusters that would maximize its growth potential and on which it ought to focus its efforts and resources to achieve its growth targets.

The industry for Batangas City was conducted by Dr. Piedad Geron and was undertaken as part of the Project's Program Area 2.3: "Managing Performance to Enhance City Competitiveness," specifically Deliverable No. 3: "Enhanced Positioning of Industries in Partner Cities."

## B. Objectives

The industry study for Batangas City is primarily intended to: (1) assess the industry mix and potentials of Batangas City; (2) Identify industries that Batangas City could develop as spearheads of local economic growth; and (3) draw up strategies to promote the development of these industries.

## C. Sources of Information and Methods of Analysis

1. Sources of Information. This study examined the types and structure of industries and enterprises in the City. Information on the registered business establishments was gathered from the City Treasurer's Office (CTO) and the Business Permits and Licensing Division (BPLD) of the City of Batangas, which were able to provide data only for 2011-2012.<sup>1</sup> The study followed the sector classification used by the National Statistical Coordination Board in aggregating sectors into agriculture, industry, and services. The classification of industries or enterprises under the Philippine Standard Industry Classification (PSIC), on the other hand, was used in categorizing enterprises and industries (refer to Annex 1). This categorization is, however, different from that followed by the city government, which is tied to the Local Revenue Code and is the basis for tax collection.<sup>2</sup>

The study further disaggregated the PSIC classification under the category "private services" into: (a) hotels and restaurants (to include boarding houses, pension houses and inns); (b) education (to include review centers, computer schools, tutorials and learning centers); and (c) health and medical (to include clinics, laboratories and diagnostics centers). All other enterprises in the sector, including entertainment, professional services, photography services, photocopying services and others, were lumped under the classification "community, personal, and social services." In contrast, the PSIC lumps the education, medical and health, personal recreation, hotels and restaurants, and other private services into the category "private services." The change in classification done in the study provides a better picture of the industry landscape of the city.

Focus group discussions as well as key informant interviews were conducted to gather information and insights on the current business environment as well as the direction being taken by the private sector with respect to its own business interests. Key officials from the local government were interviewed to gather information on the current plans of the city in improving its business environment and promoting investments. Secondary data regarding the city's socio-economic profile and development plan were also gathered from the City Planning and Development Office (CPDO).

2. Methods of Analysis. The current enterprise landscape in the City was determined using growth performance of the different industries using the data provided by the city government. The possible industrial growth centers for the City were initially identified using information on the current landscape of enterprises in it as well as its resources and various opportunities. Based on this and after considering the problems and risks faced by the City that may hamper its growth, possible industry clusters that could be promoted were identified.

---

<sup>1</sup> An initial attempt was made to gather information on the number, average initial capital, and average sales over a five-year period to determine industry structure and industry shifts over time. Time series information from the city government, however, was lacking due to a change in its data and information systems that made it difficult to retrieve past information.

<sup>2</sup> The City Government classifies enterprises as follows: (a) manufacturers of any article of commerce including assemblers, re-packers, processors; (b) brewers, distillers, rectifiers, and compounders of liquors, distilled spirits; (c) wholesalers, distributors or dealers of any article of commerce; (d) exporters and manufacturers of essential commodities including millers, producers; (e) distributors, dealers, and retailers of essential commodities; (f) retailers; (g) contractors; (h) banks and other financial institutions; (i) other businesses not classified; and (j) new businesses.

## II. CONTEXT OF BATANGAS CITY'S GROWTH POTENTIAL

### A. Batangas City: A Brief Profile

#### 1. Geographical Location

Batangas City is a coastal city in the province of Batangas with a total land area of 28,541 hectares (ha) (refer to Annex 2 for the provincial map). It is located at coordinates 13 degrees, 45 minutes and 25.96 seconds north latitude and 121 degrees, 3 minutes and 29.2 seconds east longitude. It is bounded in the northwest by the municipality of San Pascual; in the north by the municipality of San Jose; in the east by the municipalities of Ibaan, Taysan, and Lobo; and in the south by the Batangas Bay (Annex 3). It is about 112 kilometers and a travel time of about 2 hours away from Manila through the Southern Tagalog Arterial Road (STAR).

Batangas City has a rolling terrain with slopes ranging from 0-30%. Its highest point is Mount Banoy in Barangay Talumpok Silangan, which is 968 meters above sea level. The coastal barangays, on the other hand, have slopes ranging from 0-3%.

#### 2. Demography

Batangas City had a population of 312,109 in 2010, with an average annual population growth rate 2.1%. It had a male-to-female ratio of 0.99:1.00 and a population density of 10.94 persons/ha or 1,094 persons per square kilometer.

About 55% of the City's population resides in urban areas. Population density is 62/ha in urban areas and 5/ha in the rural areas. Of the 105 barangays in the City, 41 are classified as urban barangays with a total land area of 3,510.3 ha while 64 are considered rural barangays occupying a total of 25,031 ha. Of the 41 urban barangays, 17 are in the *poblacion* area while the rest are considered urbanizing barangays.

Households in the City totaled 63,311 in 2011 with an average household size of five. Only about 8% of the number of households resides in the *poblacion* area. The large majority lives in the peripheral barangays.

#### 3. Economic Growth

Agriculture. Only about 30% (8,629 ha) of the City's land area is classified as agricultural, with livestock and poultry raising being the main agricultural activity in the City. In 2011, the City produced 443,350 heads of poultry, about 43% of which were broiler produced under contract-growing schemes and 31% is native poultry raised in backyards. With pig fattening and breeding as its main livestock industries, the City also produced 143,629 heads of pig, of which about 38% is backyard piggery (64,577 heads)<sup>3</sup> and about 26% was raised under contract growing arrangements ([www.bas.gov.ph](http://www.bas.gov.ph)).

---

<sup>3</sup> Backyard (small scale) pig raisers are defined as those having less than 100 heads of sows.

Of the total land area classified for agricultural use in the City, only 6,309 has. were planted to crops in 2010 and produced mainly mango and tamarind. The City produces a very limited amount of rice from as much as only 7 hectares, mostly upland areas. In 2011, it harvested only 21 metric tons of rice. The City is thus a perennial importer of rice, mostly from the nearby Mindoro provinces and Central Luzon.

Trade and Industry. As of 2011, there were 20 major industrial establishments, of which 15 were considered large<sup>4</sup> with capitalization of more than Php60 million. There were two medium scale industries with capitalization of more than Php15 million but less than Php60 million. The remaining three industries were small, with capitalization of less than Php15 million but more than Php5 million. These industries were mostly engaged in manufacturing (of petroleum based products, refined oil, and chemicals), power generation, flour milling, feed milling, and meat processing.

Aside from these establishments, there were also numerous other business enterprises in the City with capitalization of less than Php5 million. These enterprises comprise more than 90% of the total number of business enterprises in the area. They are mostly engaged in retail, trading, and services (e.g., food, health and wellness, pension, and lodging enterprises).

#### **4. Infrastructure**

Road Network. Batangas City boasts of a good road system, having a total road length of 473 km, of which 373.6 km or 80% are *barangay* roads. About 78% of the *barangay* roads are either cemented or asphalted. Of the total city road network, 297.5 km are cemented roads and 89.9 km are asphalted ones.

Port. The City hosts the second largest port in the country, the Batangas International Port, making it both an international and a domestic gateway. At present, the port serves mostly as a passenger gateway to Palawan, the islands of Mindoro and Marinduque, and the whole of the Visayas. With a road network that connects it to the Southern Luzon Expressway (SLEX) through the STAR Tollway, the City has a huge potential to become a destination and logistics hub of the South. Given the port and the road network, the City is also considered a major player in the national nautical highway network through the Batangas-Calapan link.

Telecommunication. Aside from the port and a good road network, the City also boasts of 65 telecommunication facilities as well as six internet service providers and five telephone systems.

Power. The Manila Electric Company provides electricity to 99 of the 105 *barangays* of the City. There are still six *barangays* in Verde Island that depend on diesel-fired power generators and solar energy devices for their electricity requirements. The Batangas Electric Cooperative II still provides electricity to a portion of one of the *barangays* (i.e., Barangay San Jose).

---

<sup>4</sup> Classification based on the City's Socio-Economic Profile.

## 5. Social Sector

Labor, Employment and Poverty. The labor force of Batangas City was estimated at 104,520 in 2003, 13.1% of which was unemployed. Meanwhile, latest statistics on poverty (2009) showed that only 7.1% of the City's population lives below the poverty line. These statistics seemingly indicate that the unemployment indicator might have improved from 2003 to 2009.

Education. Batangas City is one of the educational centers, not only in the province of Batangas, but also in the whole CALABARZON area. In 2011, there were 127 institutions offering pre-school education, 118 offering elementary education, 35 offering secondary education, and eight offering tertiary education. There were, however, only nine institutions providing vocational and technical education, including the Technical Education and Skills Development Authority. There were also 23 private tutorial centers and nine review and training centers within the city. Enrolment in 2011 reached 115,124 students, of which 78,358 or 68.1% were in public schools.

Health. Four big hospitals and nine major clinics located within the city proper provide health services in the City. The services being offered by these establishments include out-patients treatment; child delivery; eye-ear-nose-throat treatment; surgery; internal medicine, pediatric, obstetrics and gynecological treatment; computerized tomography scan, intensive care unit facilities and services; rehabilitation, ultrasound diagnosis, and diagnosis of social diseases.

## 6. Financial Sector

There are 35 banks operating mostly in the *poblacion* and in the urbanizing *barangays* of the City. Aside from banks, there are also 10 credit cooperatives and 21 non-agriculture-based multi-purpose cooperatives that provide savings and credit services to its members. The City also has several lending investors, pawnshops, and remittance centers in the City.

## B. Batangas City in National and Regional Development Goals and Strategies

The Philippine Development Plan, 2011-2016 (PDP) envisions and pursues inclusive growth for the country by addressing poverty and creating massive employment opportunities through a set of strategies, policies, and programs. The following are the key strategies that shall be pursued:

1. Boosting competitiveness in the productive sectors to generate massive employment;
2. Improving access to financing to address the evolving needs of the diverse public;
3. Investing in infrastructure;
4. Promoting transparent and responsive governance; and
5. Developing human resources through improved social services and social protection.

In line with these strategies and to attain inclusive growth, the PDP recognizes, among other factors, the key role played by industries in contributing to economic growth and employment generation. Along this line, the Plan adopts strategies that will improve the business environment, increase the competitiveness of industries, raise productivity, and improve efficiency in key priority sectors. The PDP specifically states: "To increase productivity and efficiency, government shall focus interventions on key priority areas, provide firm level support

to MSMEs, increase market access, expand industry cluster development and intensify the culture of competitiveness” (PDP 2011-2016).

In support of the PDP’s development agenda, the Regional Development Plan (RDP) for CALABARZON also adopts a spatial development strategy that employs the center-cluster-corridors-wedge planning approach. Using the approach, the RDP envisions the development of centers of clusters that are currently heavily populated and the enhancement of their roles as hubs of economic activities for industries, commerce, finance, and services. Corridor areas, on the other hand, shall be developed among major transport routes within the region. Wedges, meanwhile, shall form smaller functional sub-clusters with focus on agri-modernization and settlements development.

Guided by this planning approach, the RDP recognizes Batangas City as one of the existing growth centers in the region whose growth and development shall be reinforced. Recognizing that the development in CALABARZON has been mostly concentrated in the western part of the region, the RDP envisions the establishment of an east-west connection to spur growth and development in the eastern part of the region towards the Pacific. In this regard, the RDP identifies the following non-urban growth sub-centers with potentials for growth and development: Batangas lakeshore, Upland Cavite-Batangas Agri-Tourism Cluster and the Batangas-Quezon Agri-industrial Cluster. Likewise, under the RDP for CALABARZON and with the construction of the Southern Tagalog Arterial Road (STAR) Tollway, the Manila-Batangas Economic and Industrial Corridor shall also be strengthened.

It is within this development context that Batangas City is seen as a growth center with huge potential that needs to be reinforced. This study is considered timely and relevant to help the city identify key industries that will further spur the growth of the City’s economy, increase employment and create increased productive capacity.

### **C. Batangas City’s Plan and Strategy for Economic Development**

Batangas City envisions itself to be, “a well diversified agro-industrial center and international gateway, with tourist-friendly and safe environment and quality infrastructure, powered by a globally-competitive citizenry, inspired by transparent, firm, and fair leadership” (Batangas City Comprehensive Land Use Plan or CLUP 2010).

In accordance with this vision, the City’s development plan aims to increase employment and household income and reduce poverty incidence among the population (Batangas City CLUP 2010). To achieve this, the City shall implement the following key strategies:

1. agricultural productivity and income enhancement;
2. manpower development;
3. tourism promotion and development;
4. livelihood development initiatives for fisherfolk;
5. support to small and medium enterprises; and
6. cooperatives enhancement.

## D. City's Competitiveness Ranking

Batangas City was ninth among the growth centers<sup>5</sup> in the country in the 2009 Philippine Cities Competitiveness Report, which evaluated the competitiveness of cities using the following competitiveness drivers: (1) dynamism of the local economy; (2) cost of doing business; (3) Infrastructure; (4) responsiveness of LGUs to business needs; (5) human resources and training; and (6) quality of life.

The City was ranked second in the cost of doing business. In particular, the City did well in the average cost of fuel, rental cost of commercial space, bribery incidence, and minimum wage. The cost of electricity and water rates were, however, deemed high. The City outranked the top ranking growth center, Cagayan de Oro City, in the cost of doing business. It was, however, ranked only 9<sup>th</sup> in the infrastructure category. While the City boasts of an international port, it fared poorly in terms of the following: (1) reliability of telephone service; (2) travel time to airport; (3) road maintenance; (4) reliability of internet service providers; and (5) traffic management.

Poor traffic management and road maintenance increased travel time to the seaport. It was also reported that traffic congestion in its main road was one of the City's major problems.

The City also ranked relatively low in the following drivers of competitiveness: (1) dynamism of local economy; and (2) quality of life. The City has yet to improve in the following areas: (1) membership in business organization; (2) importance and participation in trade fairs; (3) number of cars for hire; (4) number of fire trucks and firemen; and e) police to population ratio.

The following best practices of the City for competitiveness were, however, noted: (1) presence of One-Stop Shop for Business Permit Renewal; (2) approval and implementation of the City Investment Code providing business incentives for incoming businesses; and (3) conduct of job fairs.

---

<sup>5</sup> Cities were classified into three strata based on levels of development. Classification was based on the weighted linear combination of the standardized values of population (assigned a weight of 40%) and total local government income, excluding the Internal Revenue Allotment (IRA) (assigned a weight of 60%). The three classifications are: metropolitan growth centers, growth centers and emergent cities.

### III. CITY INDUSTRY AND ENTERPRISE STRUCTURE

#### A. Magnitude of Enterprises and Structure of Industry

The Batangas City has more than 5,000 enterprises, based on the number of business permits issued in 2011 and 2012 (Table 1). Business registrants rose by 9.6% in 2012, reflecting aggressive efforts by the city government to capture more establishments in the formal sector. However, most of the increase in the number of registered businesses belonged to the services sector, while both the agriculture and industry sectors recorded lower business registrants during the year. About 23% of these enterprises were new businesses in 2012.

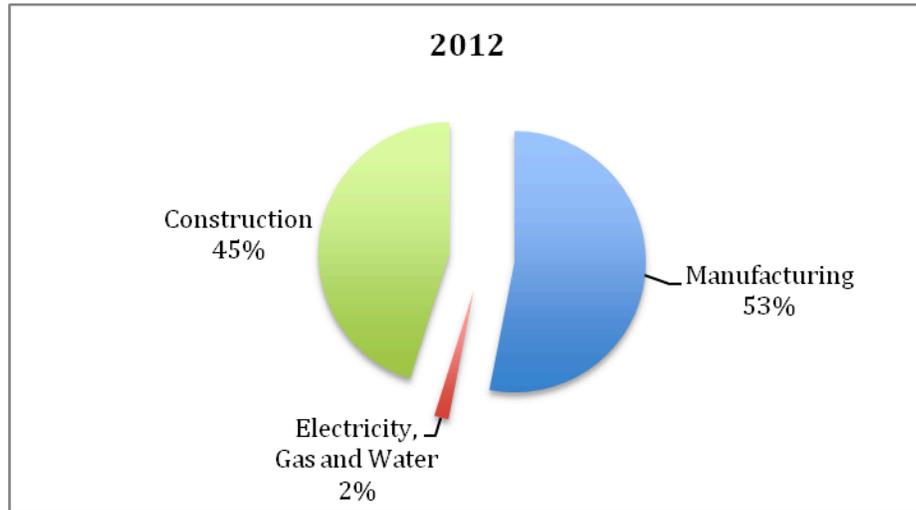
In terms of structure, more than 93% of the enterprises belongs to the services sector. About 6% was in industry and less than 1 percent was in agriculture (Table 1). From 2011 to 2012, the number of enterprises in the agriculture and industry sub-sector decreased by 13% and 23% while those in the services sub-sector increased by almost 11%.

**Table 1. No. of Enterprises by Major Sub-sectors, 2011-2012**

	2011		2012		Annual Growth Rate (%)
	No. of Enterprises	% to Total	No. of Enterprises	% to Total	
<b>Agriculture</b>	44	0.8	38	0.7	-13.6
<b>Industry</b>	295	5.6	226	3.9	-23.4
<b>Services</b>	4947	93.6	5489	95.4	11.0
<b>Total</b>	5286	100.0	5753	100.0	8.8

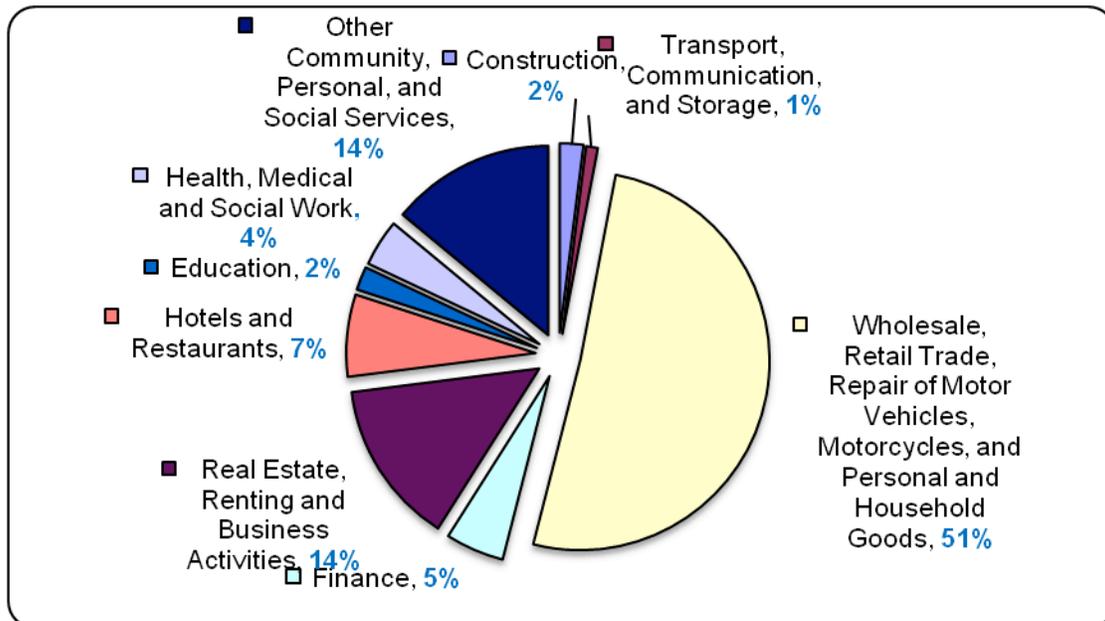
The industry sector is mainly comprised of the following sub-sectors: manufacturing, construction and electricity, gas and water. In 2011 and 2012, enterprises engaged in manufacturing comprised about 53% of the total number of enterprises in industry and more than 40% of the enterprises were in the construction sub-sector (Figure 1). Enterprises in electricity, gas and water were only 2% and 3% of the total number of enterprises in industry in both years.

**Figure 1. Breakdown of Industry, by Sub-sector, 2012**



Within the services sector, majority of the enterprises in the City (51%) was engaged in wholesale and retail businesses (Figure 2) during the same period. The wholesale and retail businesses were mainly food eateries, wholesale trading firms, distributors of non-food items (e.g., automotive supplies, cellphone accessories, and computers and their peripherals), and motor vehicle repair shops.

**Figure 1. Breakdown of Registered Businesses in the Services Sector, 2012**



The second largest group in the services sector was comprised of enterprises engaged in real estate activities and accounted for 16% and 14% of the total enterprises in the sector in 2011 and 2012, respectively. Most of these enterprises were engaged in renting or leasing properties, mostly apartments and office spaces.

The real estate sub-sector was followed by enterprises engaged in community, personal, and social services. These businesses were mostly those engaged in the provision of professional services and in entertainment and recreational activities (e.g., billiard halls and bowling centers), beauty and wellness centers, and hotels and restaurants.

## **B. Positive Factors for Industry Growth**

The City has several resources that can be harnessed to propel its economic growth, specifically by boosting income and employment. These are:

1. Infrastructure Support. The City is home to the second biggest international port in the country --- the Port of Batangas. This Port serves as a gateway to the various provinces and municipalities in the CALABARZON area. Given its current capacities, it serves as a passenger terminal, general cargo terminal, and an international container terminal. It is a critical link within the country's nautical highway, linking Luzon to the southern islands of the country. As a passenger terminal, it services high-speed ferries, batels, and inter-island roll-on/roll-off (RoRo) ferries. The Port also has two cargo berths - a foreign berth with a 185-meter length with a draft of 10.5 meters and a multi-purpose berth with a length of 230 meters and a draft of 12 meters - which makes it ideal for general and bulk cargoes such as completely-build-units and bagged cargoes. Most recently, the Port has built a newly operational international container terminal which is equipped with two ship-to-shore cranes and other modern cargo stacking equipment. This terminal has an annual throughput capacity of 400,000 ten-equivalent units or TEUs ([www.asianterminals.com.ph](http://www.asianterminals.com.ph)).

However, despite its huge potential and strategic location, only 7% of the port's capacity is currently being utilized. Subic Port, for its part, uses only 5.6% of its actual capacity. These utilization rates are low compared to that of Manila ports, which reportedly amounts to 98.2% of total volume of container traffic passing through the Subic, Batangas and Manila ports.

Aside from the International Port of Batangas, major road infrastructure facilities leading to and out of the port are also in place (i.e., the expanded and extended SLEX and the STAR). This road infrastructure connects the City to Metro Manila and the major cities (Calamba, Lucena, and Lipa, among others) and key municipalities and provinces within the CALABARZON area.

2. Educated Citizenry. Considered as one of the centers of education in the province of Batangas and in the CALABARZON Region, the City has been producing for itself, its province and its region a highly educated citizenry. As had been previously mentioned, it has a total of 329 formal and non-formal academic and training institutions that provide educational and training services to its residents as well as those of nearby municipalities within the province of Batangas.

3. Financial Resources. Compared to other areas, Batangas City has a relatively bigger amount of financial resources that could be made available for business enterprises due to the large number of Overseas Filipino Workers (OFWs) coming from the City. According to the 2011 Survey on Overseas Filipinos (SOF) conducted by the National Statistical Coordination Board (NSCB), in the period of April to September 2011, about 16.5% of the 2.2 million OFWs were from the CALABARZON area. It is surmised that a relatively large number of OFWs come from the province of Batangas.
4. Presence of Major Industries. Aside from the port and road infrastructure, Batangas City is also home to a number of large industries. The City hosts one of the largest oil refineries in the country, Pilipinas Shell, and three natural gas power plants, namely, Keilco, First Gas and Malampaya On-Shore Gas Plant. Aside from these, there are other large industries engaged in manufacturing, power, chemicals, property and food processing. These are: Bitumen Import, Storage and Distribution Facility; CFC Clubhouse Property Inc.; LMG Land Development Corp.; San Miguel Mills Inc.; JG Summit Petrochemical Corp.; Universal Robina Corp.; Himmel Industries Inc.; Chemphil Bulk Terminal; San Lorenzo Power Plant; and First Philippine Industrial Corp.; Shell Gas Eastern Inc.; and Total Bulk Terminal Corp. Aside from these large industries, there are also about 6 small and medium sized industries engaged in manufacturing, processing and agriculture. These industries are considered drivers of growth inasmuch as they are able to provide employment to the residents of Batangas City and nearby municipalities. With increased employment, there is also an increased demand for consumption goods and services, which are usually produced by micro and small enterprises.
5. Huge number of micro and small industries engaged in trade and services. The City has more than 5,000 micro and small enterprises, most of which are engaged in wholesale and retail trade and in services. These enterprises can be harnessed to provide support and ancillary services to larger-sized industries.

## IV. THE POTENTIAL FOR INDUSTRY GROWTH IN BATANGAS CITY

### A. Opportunities for Industry Growth in Batangas City

Batangas City has very good potentials to grow at a much faster pace due to the following factors:

1. Development of Batangas City as a Priority in the National and Regional Development Plans. As stated earlier, the PDP calls for the development of industry clusters that will promote growth, increase income, and generate employment. In accordance with this thrust, the CALABARZON RDP has identified Batangas City as one of the growth areas that will propel growth in the region.

In support of the national development thrust of developing industry clusters, the National Competitiveness Council (NCC) has also recommended the development of a Luzon integrated Logistics Hub that covers the Batangas-Clark-Subic corridor. This is expected to develop “new economic magnets” outside Metro Manila.

Aside from being identified as a logistics hub, the Batangas peninsula has also been identified as a tourist destination area in the Tourism Master Development Plan. Batangas City was also identified as one of the cluster destinations within the Northern Philippine area, being in close proximity to several municipalities with good tourism resources (e.g., Tagaytay City, Taal, Anilao, Mabini, and Lemery).

2. Strategic Location of the Port of Batangas, which was constructed as an alternative to the Port of Manila. Within the CALABARZON Region, there are 42 industrial estates with more than 1,000 Philippine Economic Zone Authority (PEZA) locators, which produce 60% of the total export-import cargoes from PEZA-registered firms. These locators are potential users of the Port of Batangas. The construction of the STAR tollway, which links the port to the key cities and municipalities where most of the PEZA locators in CALABARZON are located, augurs well for the City. With increased usage of the Port of Batangas, ancillary industries would likely be established.
3. Inclusion of Batangas City in the ASEAN Connectivity Initiatives. The ASEAN connectivity initiative envisions the establishment of an ASEAN community by 2015 by facilitating the flow of people, goods, services and capital within the region and among ASEAN member countries. To achieve this goal, the Master Plan on ASEAN Connectivity identifies three key strategies: physical connectivity, institutional connectivity, and people-to-people connectivity. Under physical connectivity, maritime transport has been identified as an important mode of transportation for international trade. Hence, efficient and competitive shipping routes shall be established to connect archipelagic regions. A nautical highway system (i.e. the ASEAN Roll-On Roll-Off System (RoRo)) within the region shall likewise be established. Thus, ASEAN delineated a trans-ASEAN transport network consisting of 47 ports, which include the Port of Batangas. The ASEAN RoRo System is also intended to boost tourism, including cruise tourism, within the region. The ASEAN Tourism Forum in 2012 identified the following ASEAN cruise corridors: Malacca Straits, Karimata Strait/Java Sea/Flores Sea,

and South China Sea/Gulf of Thailand. Located along the South China Sea, the Port of Batangas may be considered as one of the ports of call for cruise tourism.

Given these ASEAN connectivity initiatives, Batangas City should take advantage of the Port of Batangas and develop industries that will support increased use of the Port.

## **B. Potential Industry Drivers in the City: A Story for Consideration**

The presence of the Port of Batangas and the growth potentials it makes available, as well as the current development thrusts and priorities of the country and within the ASEAN region make apparent two clusters of industries as growth drivers in Batangas City: the logistics industry and tourism industry clusters.

### **The Logistics Hub Industry**

The City, in coordination with relevant and concerned national agencies (e.g., Philippine Ports Authority (PPA), PEZA, DTI, and DOTC), should promote the City as a logistics hub that provides shipping support services to the Port of Batangas. To provide efficient shipping network services, land transport as well as logistics capacity should be present. Increased number and capacity of ship calling at the port depends largely on the availability of logistics and transport services for both exporters and importers. Ease in customs and administrative clearances are also important. The private sector, particularly the local business community, should likewise be encouraged to invest in the various ancillary and support service industries.

Should it consider developing a logistics industry hub, the City should implement the following measures:

1. Advocate with relevant national government agencies (e.g., the PPA) the implementation of measures that will increase the utilization rate of the Port of Batangas. The following measures should be focused on:
  - a. A deliberate policy and program for the decongestion of the Port of Manila anchored on establishing a cap on each of the total TEUs that pass through the ports; and
  - b. Development of an inter-modal transport system that will support and increase the utilization of Batangas Port. For instance, there is a need to complete the construction of the STAR Express Tollway.
2. Provide local incentives and non-fiscal measures to encourage private sector investments in infrastructure needed to increase the utilization of the Port of Batangas. Arangkada Philippines pointed out that “major ports should have complete infrastructure (e.g., terminals, cranes, yards, scales, silos, and discharging equipment and areas) under a hub-and-spoke system feeding goods by truck and RoRo. Major RoRo ports should have modern passenger terminals and should allow chassis RoRo (cargo containers on chassis without truck).” The private sector should be encouraged to support and to invest in these infrastructures to help increase port utilization. For instance, most of the truckers that bring cargo in and out of the Port are still based in Manila, hence, increasing the cost of using the Port. Moreover, the PPA reported that cargo ships still go to Manila since most, if not all, warehouses are located there. Hence, it is imperative for the City to be forward-looking by providing specific incentives to

business enterprises supportive of port utilization, including those involved in trucking and warehousing.

3. Facilitate the establishment of transparent governance at the Port. The City should ensure that there are no illegal fees being extorted from truckers that ferry the cargo in and out of the Port.

### **The Tourism Hub Industry**

Aside from being a logistics hub, the City may also opt to promote itself as a cruise destination. Recognizing that the Port of Batangas is situated within the ASEAN cruise corridor and that Batangas has been identified as one of the tourist destination areas in the country, the City, in coordination with the Department of Tourism (DOT), may invest in promoting the city as a cruise destination area.

Should it consider the promotion and development of the tourism hub industry, the City must implement the following measures:

1. Coordinate with nearby LGUs and the private sector in developing a tourism plan and strategy with Batangas Port as tourism entry point. The City may use the 5As Framework<sup>6</sup> developed by the German International in adopting a more strategic approach in tourism development;
2. Advocate and lobby with concerned national government agencies the development of road networks to enable tourists to move from one tourist destination to another with ease.

### **C. Other Prerequisite Conditions for Promoting the Industry Drivers**

To promote and develop these two industry clusters, several measures common for both must be implemented. These are:

1. Review and, if warranted, revision of the current Investment Code. To promote the development of the industry clusters, the City must review its current investment code to determine if it encourages the establishment of businesses and enterprises within the tourism and logistics industry clusters. Revisions must be made if these are needed.
2. Strengthening of the Regulatory Framework/Enabling Environment. Aside from incentives provided in the investment code, the City must also look at its current regulatory environment for businesses and enterprises, especially those within the two clusters. Are current businesses permitting procedures as well as clearance mechanisms supportive of enterprises within the logistics and tourism clusters? Are

---

<sup>6</sup> The 5As framework encourages LGUs to adopt a more strategic approach in tourism development, and promotes cooperation with their neighboring areas to cover for components that may be lacking in their locality in order to create a seamless tourism experience. The 5 As is a term coined by Philippine Chamber of Commerce and Industry Tourism Committee which refers to **A**rrival (pre-arrival marketing, air/sea/land transport, air/sea ports); **A**ccess (roads, terminals, and related infrastructure); **A**ccommodation (hotels, lodging, and restaurants); **A**ttentions (natural & man-made); and **A**ctivities (rest, recreation, and education). (Tourism Development for LGU, [www. smepsep.ph](http://www.smepsep.ph))

there rules that impede and discourage businessmen to invest in these industries? If deficiencies are identified, these must be addressed immediately.

3. Acceleration of Infrastructure Development. The development and growth of the logistics and tourism industry clusters are premised on a developed and good infrastructure support system. Road networks should be able to facilitate transport and logistics services. The City, in coordination with the business sector, should be able to map up choke points and formulate a strategy that would address issues related to infrastructure, including traffic congestion.
4. Creation of City Industry Associations. A local government-private sector partnership has been identified as an important factor in local economic development. To make such a partnership happen, the City must encourage the establishment of city industry associations that will represent the voice of the business sector, particularly for the logistics and tourism industries. The associations will serve as the link of the business community to the LGU, especially in advocating for the needed reform measures that are supportive of business and industry development.
5. Ensuring of the Availability of the Appropriate Human Resources. The academe should likewise be consulted and informed of the city's development thrusts and policy directions. As the industry clusters develop, there should be sufficient human resources with the appropriate skills and capacity for the enterprises within the industry clusters to take advantage of. Given the City's priorities, the current course offerings by the schools in the city should be reviewed to ensure that the supply of needed human resources will be available to support the priority industries that will propel the growth of the local economy.

The foregoing requirements as well as the surrounding issues may need to be further discussed between and among the key stakeholders in the City. Close and coordinated partnership between and among said parties is important and necessary for the City to sustainably move forward in developing the City and in maximizing its growth potentials.

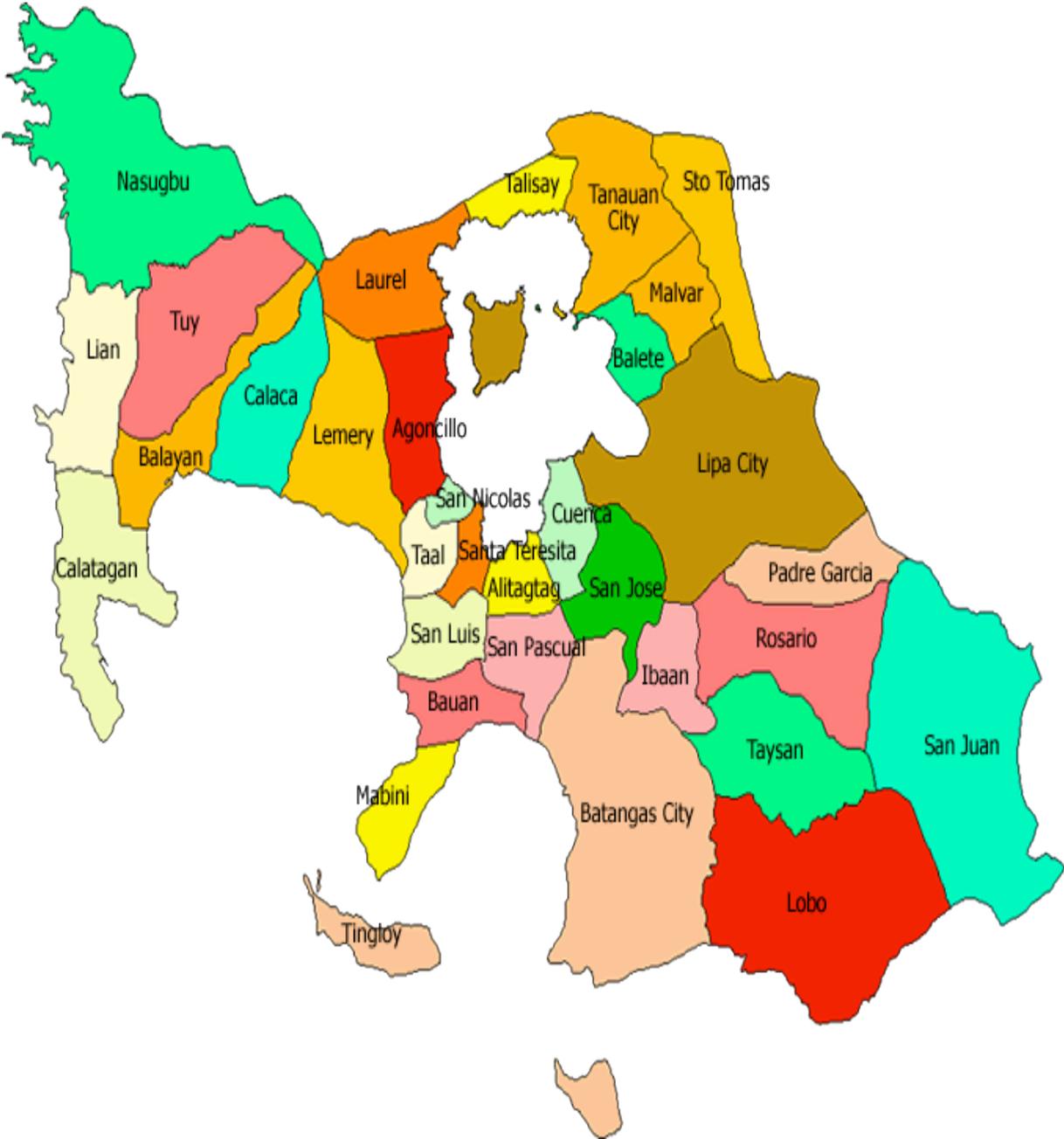
# **ANNEXES**

## ANNEX 1. Philippine Standard Industry Classification (PSIC)

PSIC Classification	Definition
Agriculture, Forestry and Fishery	<p>Agriculture includes the production of all agricultural crops such as palay, corn, coconut, sugarcane, banana, and the raising of livestock and poultry including the production of milk and eggs. Services provided to agriculture on a fee or contract basis such as veterinary services, the operation of irrigation systems, and pest control are also included in this subsector.</p> <p>Fishery covers fishing, fish culture, and the gathering of other marine products such as reptile skins, seaweeds, shells, and sponges.</p> <p>Forestry includes logging and the gathering of minor forest products such as firewood, bamboos, etc. and the burning of charcoal in the forest.</p>
Mining and Quarrying	<p>Mining and quarrying covers the production of all metallic and non-metallic minerals by extraction from nature and its related processes. Underground and surface mines, quarries and wells and all supplemental activities for beneficiating ores and other crude materials for marketing ores are included.</p>
Manufacturing	<p>Manufacturing is the mechanical or chemical transformation of organic or inorganic substances into new products, whether the work is performed by power driven machines or by hand, whether it is done in a factory or in the worker's home and whether the products are sold at wholesale or retail. Activities carried out in connection with the main manufacturing activity such as the production of goods in their workshops, the operation of cafeterias or bakeries, the printing of books, pamphlets and postcards and minor own-account construction are also accounted for in the sector.</p>
Construction	<p>Construction covers the activities of putting up of buildings and structures and other land improvements. Other related projects as its secondary activities such as the provision of technical and engineering services as well as the manufacture and trading of construction materials are also included.</p>
Electricity, Gas and Water	<p>Electricity and water covers the generation, transmission and distribution of electricity to households, industrial and commercial users as well as the collection, purification and distribution of water.</p>
Transport, Communication and Storage	<p>Transport services consist of the transport of passenger and freight by land, water and air including transport related operation like the operation of toll roads, terminal facilities, piers, airports and the like. It also covers services incidental to transport. Communication includes mail express service, telephone, radio and related services.</p>
Wholesale and Retail	<p>Trading pertains to the services provided by production units engaged in buying and reselling of goods, without transformation, either in bulk as in wholesaling, or in small quantities as in retailing.</p>

PSIC Classification	Definition
Finance	Finance sector covers the activities of financial institutions such as banks, nonbanks and insurance companies. Banks include commercial banks, savings and mortgage banks, private development banks, stock savings and loan associations and specialized government banks. Nonbanks include financing companies, fund managers, investment houses, investment companies, security dealers, security brokers, venture capital corporations, mutual building and loan associations, credit cooperatives, pawnshops and government nonbank financial intermediaries. Insurance includes incorporated, mutual, and other entities mainly engaged in providing life, accident, sickness, fire, casualty or other forms of insurance.
Real Estate	Real estate covers the renting, management and operation of residential and non-residential buildings, the subdivision and development of land into building lots, the operation of residential and industrial estates, cemetery development and sale including the activities of real estate agents, brokers and managers engaged in renting, buying, selling, managing and appraisal of real estate on a fee or contract basis.
Private Services	Private services sector includes educational, medical and health, personal recreation, hotels and restaurants and other private services. Producers of these services are the profit-making industries, private non-profit organizations engaged mostly in social and community services and households and own account workers rendering social and community services to others.

**ANNEX 2. Map of Batangas Province**



# ANNEX 3. Map of Batangas City



## REFERENCES

Aldaba, Rafaelita, "Small and Medium Enterprises' (SMEs) Access to Finance: Philippines," Philippine Institute of Development Discussion Paper, 2012.

Asian Institute of Management, Philippine Competitiveness Ranking Project, 2009

Batangas City Socio-Economic and Political Profile, 2011

CALABARZON Regional Development Plan, 2011-2016

Industry Clustering Using Value Chain Approach, Powerpoint Presentation by Undersecretary Merly Cruz, March, 2012

Ignacio, Laura, Cluster Development Strategy in the Philippines, Bangko Sentral Newsletter, May-June 2011.

KyeongAe Choe and Brian Roberts, 2011, Competitive Cities in the 21<sup>st</sup> Century: Cluster Based Local Economic Development, Asian Development Bank

Maximizing the Use of Batangas Port, Powerpoint Presentation by the Research, Education and Institutional Development (REID) Foundation

Philippine Development Plan, 2011-2016

Stanley Nollen, "Improving City Competitiveness: City Management and the Business Climate," Policy Note for the World Bank Institute, 2011

[www.nscb.gov.ph](http://www.nscb.gov.ph)

[www.bas.gov.ph](http://www.bas.gov.ph)

[www.batangas.gov.ph](http://www.batangas.gov.ph)