



**POLICY REFORM PROGRAM
(PRP)**

QUARTERLY REPORT

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**Quarterly Report
October to December 2006**

A. Increase Competition and Efficiency in the Maritime Sector

- For the 4th quarter of 2006, the Maritime Team was mobilized consisting of a Ports Team Leader and a Ports Associate.
- A grant was awarded to the Center for Research and Communication (CRC) for the period of October 11, 2006 until September 30, 2008 to provide technical and administrative support to the Maritime and Infrastructure Teams.

1. Promoting RoRo

1.1 Impact analysis of RoRo

- *RoRo Impact Study*. Report outline draft completed.
- Briefings and presentations to key government agencies, such as the Presidential Management Staff (PMS)-led Infrastructure Monitoring Task Force (IMTF), the National Economic Development Authority (NEDA), and the Philippine Chamber of Commerce and Industry (PCCI), on the issues related to Roll on/Roll off (RoRo) implementation. The IMTF is monitoring the 25 RoRo ports included in the State-of-the-Nation (SONA) infrastructure commitments of the President.

1.2. Pre-Feasibility Studies on Select RoRo Routes

- No activity this quarter.

1.3 Expanding the RoRo Network

- *National Maritime Leasing Corporation (NMLC)*. Briefing and meetings with institutions involved in providing financing for the RoRo Shipping Modernization Program including the Japan International Cooperation Agency (JICA), the Japan Bank for International Cooperation (JBIC), and the National Maritime Leasing Corporation (NMLC). Assisted NEDA and Export Development Council draft a concept paper on the proposed RoRo leasing program to introduce younger vessels and more RoRo routes.

- **Success story.** This quarter, the Maritime Team addressed the issue of uneven regulations in RoRo ports that create inefficiency and high transport cost.

Double-Charging on RoRo Removed, Transport Costs Lowered

Uneven regulations create barriers to efficiency and higher costs. Port authorities in the Philippines adopted different rules, resulting in double-charging for sea transport. With the technical assistance of The Asia Foundation’s Maritime Team, this problem was addressed.

The policy to promote Roll-on/Roll-off (Executive Order 170) includes a provision for a one-time terminal fee for shippers at the point-of-origin to reduce transactions costs. Although the policy covers all RoRo ports, the Cebu Ports Authority (CPA) charged a terminal fee at the destination. The lack of uniformity led to “double-charging” of shippers and in turn increased transport cost for shippers and private vehicles.

To remove this distortion, the Foundation recommended the adoption of a uniform rate structure to avoid double-charging. This issue was raised with the Technical Working Group (TWG) of the House of Representatives, which included key government agencies on transportation and local government officials concerned with RoRo.

As a result, the CPA issued a policy removing the terminal fee at the destination, effectively eliminating double-charging. For example, a private passenger vehicle traveling from Tagbilaran to Cebu:

Before	Terminal fee in Tagbilaran	P112
	Terminal fee in Cebu	P115
	Total Fee	P227 (\$4.63)
After	Total Fee	P112 (\$2.28)

This new rule translates to lower transport costs for shippers and users.

2. Competition in the Manila Ports

2.1 Competition and Financial Model for Manila Ports

- No activity this quarter.

2.2 Policy Reports on Competition and Ports

- No activity this quarter.

B. Promote Competition in the Power Sector

- This quarter, members of the Power Sector Team were mobilized consisting of a Power Sector Analyst and Power Sector Advisor. The proposed Power Sector Team leader will be submitted for approval in January 2007.

1. Options to Promote Competition

1.1 Analysis of Various Pro-Competition Programs

- *Customer Choice Program (CCP)*. The team drafted an analysis of the CCP and presented it NEDA and other key constituents. The analysis concluded that CCP would have minimal impact on rates for end users and on competition in the distribution sector.

1.2 Feasibility Study on Distributed Power Generation

- No activity to date.

1.3. Policy Options for Implementing Open Access and Retail Competition

- *Philippine Economic Zone Authority (PEZA)*. The team explored the technical and legal issues related to the authority of Philippine Economic Zone Authority (PEZA) to administer and regulate electric utilities within its zones. A draft legal opinion was developed regarding the regulatory authority of PEZA over the Energy Regulatory Commission established by EPIRA.
- *Local Government Franchise*. The team conducted research if local government units can be awarded a legislative distribution franchise. One example is the Olongapo City Charter which allows the city to act as the “distribution utility” within the city limits.

2. Joint Stakeholder Negotiation

- No activity to date.

C. Increase Liberalization in the Air Transport Sector

- For this quarter, the Air Transport team was mobilized consisting of the Air Transport Team Leader, Air Transport Legal Expert and Air Transport Senior Researcher.

1. Policy on Clark as a Developmental Route

1.1 Policy Options for the Development of Clark

- Provided analysis and policy options to Clark Airport, NEDA, the National Competitiveness Council, the Philippine Chamber of Commerce and Industry, and the Export Development Council on the proposed revisions to Executive Order 500 A.
- Provided policy options for the amendment of RA 7227 or the law creating the Bases Conversion Development Authority (BCDA). Together with the Clark International Airport Corporation (CIAC), Clark Development Council officials proposed to include provisions for air transport policy in the amended law.

2. Strategic Marketing of Clark

2.1 Facilitate Strategic Marketing of Clark

- Preliminary research was conducted for the policy paper on “*Prospects and Opportunities of Low Cost Carriers (LCC) in Clark.*” The paper will include: information and analysis of various low cost carriers in the region; passenger traffic; load factor; cargo traffic; and competition rates of airlines. Publication of the policy paper may be done in partnership with the University of Asia and the Pacific (UA&P) to promote broader understanding of air transport policy and its impact on tourism, employment and economic growth.
- A significant development in Clark for this quarter was the “test flights” of another LCC, Viva Macau, to the Philippines via the Diosdado Macapagal International Airport (DMIA). The Team drafted a report providing data and analysis that show high growth rates in traffic between Macau and the Philippines, and load factors above normal airline standards.

3. Reports on Regional Development

3.1 Research Report on Regional Development

- No activity to date.

D. Strengthen the Property Rights Regime

- This quarter, the Property Rights Team was mobilized consisting of a Team Leader, two Legal Experts, and a Strategist.

1. Exploring Short-term Solutions

1.1 Potential Solutions

- To date, discussions and meetings have been conducted with key government officials concerned with property rights such as the Land Management Bureau (LMB). The Team also met with the Land Administration Management Project (LAMP) to discuss developments in the sector and examine strategy options.

2. Improving the Land Management Bureau

2.1 Technical Report

- No activity to date.

3. Increased understanding of the importance of property rights

3.1 Educate key stakeholders

- The Team began providing information to key constituents including leading architects, property developers, the Bankers Association of the Philippines (BAP), and others.

E. Promote Efficient Implementation of Key Infrastructure Projects

- This quarter, the Infrastructure Team was mobilized consisting of a Team Leader, a Legal Expert for Transport, a Legal Expert for Public Works, a Transport Project Monitoring Manager, a Public Works Project Monitoring Manager, Junior Engineer, and an Infrastructure Associate

1. Implementing Priority Infrastructure Projects

1.1 Development, review and analysis of key infrastructure projects

- *Infrastructure Monitoring Task Force (IMTF)*. In support of the IMTF Secretariat and NEDA, the Team began identifying and analyzing the priority infrastructure projects.

The Team's first priority was to monitor the following infrastructure projects:

1. NAIA International Passenger Terminal 3
2. EDSA North Transit (closing the LRT Line 1 and MRT 3 Loop)
3. Alabang Viaduct (SLEX Toll Road 1)
4. SLEX Toll Road 2
5. SLEX Toll Road 3
6. Diosdado Macapagal International Airport
7. Southern Tagalog Arterial Road (STAR) 2
8. Subic-Clark-Tarlac Expressway
9. C5 Road (NLEX-SLEX Link)
10. EDSA Rehabilitation Project
11. Laguindingan Airport
12. Manila Bulk Water
13. Repair of Aqueduct AQ-5 / Construction of Aqueduct AQ-6
14. LRT1 Extension to Bacoor
15. MRT 7
16. Northrail Project (Caloocan-Malolos-Clark)
17. Northrail-Southern Linkage Project (Phase I & II)
18. Southern Extension Project (Calamba to Lucena City)
19. Subic Bay Port Development Project
20. Dingalan Port, Dingalan, Aurora

Project site visits were conducted. They include:

- Buguias Cold chain facilities in Benguet
- Halsema Highway that traverses from Mt. Data to Bontoc to Tuguegarao
- The 17-km Aqueduct 5 and 6 located in Norzagaray in Bulacan.

1.2 Recommendations to Implement Priority Infrastructure Projects

- *National Competitiveness Summit.* The Team provided technical analysis to PCCI and the Export Development Council (EDC) on legal and policy issues impeding the implementation of priority infrastructure projects. These issues were presented during the National Competitiveness Summit, presided by President Arroyo. The issues include:
 - Executive Order to expand air services at the Diosdado Macapagal International Airport (DMIA) in Clark and the Subic Bay International Airport (SBIA) in Subic
 - EO 308, which privatizes North Harbor with two competing terminals

- Pending permits to allow private commercial ports in Manila to handle foreign containerized cargoes
- *Philippine National Construction Corporation.* As requested by NEDA, the Team drafted a technical and legal analysis of the bill for the extension of PNCC's 30-year mega franchise. The Lower House has already approved the franchise extension. The bill is now in the Senate.

1.3 Assisting the Implementation of Priority Projects

- To date, the Team has drafted three (3) weekly monitoring reports on the status of the top 20 projects.

2. Policy Analysis

2.1 Provide policy analysis and option on BOT Law and its IRRs

- The Team met with the JBIC, AusAID and the World Bank to discuss proposed revisions to the Implementing Rules and Regulations (IRRs) of the Build-Operate-Transfer (BOT) Law.

F. Other Activities – Regulatory Performance Index

- This activity was added in the FY07 PRP Workplan upon consultation with USAID CTO and NEDA.

1. Philippine Regulatory Index

1.1. Determine indicators for assessing key economic areas

- No activity to date.

1.2. Develop Assessment Framework, methodology and tools

- No activity to date.

2. Assessment Report on Philippine Regulatory Agencies

2.1 Conduct Survey of Regulatory Agencies

- No activity to date.

2.2 Analyze Results

- No activity to date.

2.3 Draft Assessment Report

- No activity to date.

G. Public Information Training and Analysis

- No activity to date.