



**POLICY REFORM PROGRAM
(PRP)**

QUARTERLY REPORT

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• THIS QUARTER, THE CENTER FOR RESEARCH AND COMMUNICATION (CRC) AND THE PRESIDENTIAL MANAGEMENT STAFF INFRASTRUCTURE MONITORING TASK FORCE (PMS-IMTF) TRACKED DEVELOPMENTS IN THE PROCESSING AND IMPLEMENTATION OF KEY PRIORITY PROJECTS.	18
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This quarterly report covers activities from April 2007 through June 2007 under the Policy Reform Program (PRP) of The Asia Foundation. PRP is funded through a grant from the United States Agency for International Development (USAID). The project runs from October 1, 2006 to September 30, 2008.”

Under the PRP, the Foundation will undertake targeted activities that will support key policy issues focused on greater competition in the maritime, air transport, and power industries as well as additional relevant reform sectors in securing property rights and addressing institutional issues for infrastructure investments.

The goals of the PRP are: (1) to promote economic benefits of increased competition and efficiency in the maritime sector; (2) to develop policy options and support market initiatives for increased competition in the air transport sector; (3) to promote competition in the power sector; (4) to strengthen the Philippine property rights regime, and (5) to support the timely implementation of priority infrastructure projects.

A. Maritime

1. Promoting RoRo

The issuance of Executive Order 170 promoting the use of Roll on/Roll off (RoRo) in 2003 was crucial to increasing efficiency and lowering domestic shipping costs. In some cases, RoRo has had impact on the efficiency and prices of cargo on the major agricultural routes. Recognizing its potential, the activity seeks to provide studies to show the benefits of RoRo to promote efficiency and economic development.

This activity focuses on documenting the impact of RoRo and expanding the network nationwide.

1.1 Impact Analysis of RoRo

Significant Developments in RoRo Activity

This quarter, there are a number of positive developments related to the RoRo activity. These include:

- The issuance of a Department of Interior and Local Government (DILG) Action Memo to abolish the additional terminal fees and charges imposed by 65 local government units (LGUs) on RoRo passengers and shippers passing through their town or municipality. As of March, 21 LGUs have stopped imposing these illegal fees, and more importantly, reduced transport logistics costs.
- Responding to perceived competition from leasing companies, the Development Bank of the Philippines' (DBP) improved the terms and conditions for loans related to the purchase and/or lease of RoRo vessels.
- The positive impact of RoRo continues to be felt. Through case studies, the team documented the lower cost and increased efficiency of Universal Robina Corporation and Jomark Food Deli.
- Private port operators are beginning to use the provisions of an Executive Order (EO 170-B) allowing private commercial ports to convert and operate as public commercial ports. The Philippine Ports Authority (PPA) granted a permit to a private firm to build and commercially operate a RoRo port in Dapitan in Mindanao. Developments in the construction happened this quarter.

CRC traveled to the major ports of the Eastern, Central and Western Nautical Highway. They are drafting the preliminary report on the impact of RoRo. The final report is expected in September 2007. The study visits include the following:

- On April 26 to 28: Daanbantayan, Cebu and Jagna, Bohol. CRC monitored the progress/status of the development of RoRo ports in these areas under the Central Nautical Highway.
 - The Daanbantayan Port project proponent is the office of Cebu Governor Gwen Garcia. Located at the northern part of Cebu, Daanbantayan will connect Cebu to Masbate via Cawayan, Masbate. The project started in March 2007 and will be completed in November 2007.
 - Jagna Port in Bohol is a RoRo-capable port that has yet to cater to RoRo services because the port and vessel ramp do not match. To unload vehicles such as SUVs and motorcycles, cargo handling forklifts are required. Agricultural products in sacks are also handled by forklifts. This runs counter to the purpose of RoRo. CRC will continue to monitor progress in this port.
 - CRC also visited the ports of Mambajao and Guinsiliban in Camiguin and Balingoan in Misamis Oriental.

- On May 30: Matnog, Sorsogon; Allen, Samar; Liloan, Southern Leyte; and Lipata, Surigao. These ports are part of the Pan-Philippine Highway or the Eastern Seaboard.

- On June 26-30: Dumangas and Estancia in Iloilo; Bacolod; Dumaguete; and Dapitan.
 - RoRo from Iloilo to Bacolod via Dumangas cuts travel time by 30 minutes. The fare is also cheaper compared to the Iloilo-Bacolod route.
 - In Estancia, fish traders claim that transporting fish from Iloilo to Manila via the Strong Republic Nautical Highway (SRNH) is 30-50% cheaper than via the traditional long haul shipping. Spoilage is also significantly reduced and travel time is likewise shortened.
 - In the past, the port in Dumaguete did not cater to RoRo shipping due to high rates. However, RoRo steadily gained acceptance from both shippers and passengers when the SRNH was launched. From one shipping company serving the Dumaguete-Dapitan route in 2003, there are now five RoRo shipping companies that pass through the port.
 - The Port of Dapitan is now a major port connecting Dumaguete City, Negros Oriental by five RoRo shipping companies. During peak season, an average of 20 ships pass through the port daily. Due to more traffic, Ceres Liner, a bus company, is now servicing a new route connecting Zamboanga City to Cubao, passing the cities of Dipolog (Zamboanga del Norte), Dumaguete (Negros Oriental), Bacolod (Negros Occidental), Iloilo (Panay), Calapan (Oriental Mindoro) and Batangas.

Maritime Activity Success Story

Further Reducing Transport Costs: Illegal Fees Eliminated in 21 RoRo Ports

In 2003, President Arroyo issued Executive Order 170 to promote the use of Roll-on/Roll-off (RoRo) as an alternative mode of sea transport. RoRo is a cheaper because it eliminates the costs of cargo handling.

However, several local governments imposed arbitrary taxes and regulatory fees on goods and passengers passing through the RoRo network, also known as the Strong Republic Nautical Highway (SRNH) and the Pan-Philippine Highway.

The Center for Research and Communication (CRC), with the support of the Asia Foundation, conducted an analysis of the additional charges, its impact on RoRo users, and its legal basis. The analysis concluded that the fees:

- disrupts the entire transport logistics system
- runs counter to the objective of the RoRo policy
- violates Section 133-e of the Local Government Code

Based on the analysis, the National Economic Development Authority (NEDA) Regional Development Committee (RDC) recommended the abolition of such levies and other fees.

On June 26, 2006, DILG issued *Memorandum Circular No. 2006-70* directing all provincial governors, city and municipal mayors, punong-barangays, and others to “suspend the imposition and collection of taxes and regulatory fees on goods and passengers passing through their respective territorial jurisdictions.” Local executives were also ordered to repeal existing ordinances that authorize the collection of such fees.

Upon the instruction of the NEDA Board, DILG identified 65 LGUs that charge so-called “pass-through” fees. DILG submitted status reports on the circular’s implementation to NEDA and the Office of the President.

As of April 2007, DILG reported that 21 LGUs have stopped imposing fees, three (3) LGUs are in the process of abolishing them, while 15 continue to do so. No data was reported on the remaining 26 LGUs.

The implementation of the DILG memo translates to savings for users of the RoRo network. In Matnog, Sorsogon, for example, the local government stopped collecting the compulsory “regulatory fee” of Php3.00 per passenger. Based on a daily average of 4,000 passengers, the savings translates to P4.3 million every year.

1.2 Pre-feasibility studies on select RoRo Routes

- As per agreement with the CTO, this activity will no longer be pursued.

1.3 Expanding the RoRo network

Expanding RoRo Financing Options. In an effort to increase access to credit for RoRo vessels, CRC organized a series of meetings with the National Maritime Leasing Corporation (NMLC), the Development Bank of the Philippines (DBP), and the Japan Bank for International Cooperation (JBIC) to discuss funding options to support RoRo. This quarter, NMLC was transferred to the Office of the President.

- On May 16, CRC met with JBIC to discuss the 28th Yen Loan package for RoRo network development. Since JBIC cannot lend to NMLC, the team suggested that a loan be extended to DBP instead, with a condition that a portion of the fund be lent to NMLC and other private leasing companies (also) at concessional rates. CRC also emphasized the importance of the Department of Public Works and Highways (DPWH) in developing the RoRo Road Terminal System (RRTS), especially in providing road connections with the nautical link. JBIC is supportive of the idea.
- On May 24, CRC met with the Polish Consular Office to discuss the Polish ODA for NMLC. The Polish Embassy in Singapore is receptive to NMLC's proposal and is looking for a joint-venture partner for the shipyard component of the project. The Polish Finance Minister signed off on the idea and is studying the proposed funding scheme.
- On June 4, CRC met with NMLC and officers of the Federation of Filipino-Chinese Chamber of Commerce and Industry (FFCCCI), to discuss maritime investment recommendations to China Ocean Shipping Company (COSCO), a world leader in shipping and logistics that is interested to establish a regional hub in the Philippines. The following recommendations were made:
 - Establish COSCO's regional hub operations in Sangley Point
 - Participate in Philippine overseas shipping (register under Philippine Flag) and domestic shipping (for the domestic transshipment of Philippine import-export cargoes)
 - Invest in NMLC
- CRC made a presentation to COSCO on June 8 on maritime-related issues. On June 18, COSCO announced its plan to invest US\$ 3 billion for the establishment of an integrated special maritime economic zone in Sangley Point. The Zone includes activities such as international and domestic transshipment port hub operations, overseas and domestic shipping operations, logistics services and facilities, maritime training center, shipbuilding/ship repair, and investment in NMLC ship leasing. CRC helped prepare the concept paper submitted to President Arroyo, NEDA, and DOTC. The COSCO Chairman discussed the project with President Arroyo on June 19.

- On June 4, CRC joined NMLC in meeting with Pan-Asia Investments to discuss a prospective Singaporean (equity) investment in NMLC and the soft loan to fund NMLC's ship leasing activities.
- CRC assisted NMLC prepare a presentation for the JBIC Tokyo Mission's Manila visit. The presentation highlighted the following issues:
 - Importance of road network in RRTS and significant role of DPWH in its development
 - Low utilization of DBP SLDP funds
 - Modernization of the RoRo fleet by offering competition to the market: loan vs. leasing.
 - Advantages of RoRo ship leasing
 - Reduction of DBP's interest rate from 10% to 7% with no collateral requirement (chattel)
 - Proposed strategy
 - JBIC to extend ODA loan to DPWH for road projects
 - JBIC to extend ODA loan to DBP with condition that part of loan (e.g., 50%) will be lent also at concessional rates to NMLC and other private leasing companies
 - Giving the ODA funds to DBP ensures
 - Due diligence
 - Non-discrimination (funds not limited to favored operators)

Administrative Order (AO) to Integrate the Road and Port Network. During the DOTC-JICA RoRo Workshop, CRC highlighted the “disconnect” between the RoRo ports and road network.

- On June 5, CRC drafted a legal opinion on the re-classification of provincial roads to national roads. This was used for drafting a letter to DOTC Usec. Len Bautista for the re-classification of provincial, municipal, and barangay roads that form part of the RRTS to national roads.
- On June 7, CRC assisted the National Competitiveness Council (NCC) in finalizing its memo to PGMA, which includes its recommendation to expand the RoRo network.

Others. On May 17 to 18, CRC attended the Distribution Management Association of the Philippines (DMAP) Shipping Immersion Course where the team leader gave a lecture on the development of transport infrastructures and the status of the Central Nautical Highway.

2. Competition in the Manila Ports

2.1 Competition and Financial Model for Manila Ports

Port and Terminal Handling Cost Report. The final draft was submitted to The Asia Foundation for review. For the next quarter, the final report and presentation will be provided to various key constituents such as the Philippine Chamber of Commerce and Industry (PCCI), Philippine Exporters Confederation, Inc. (Philexport), Foreign Chambers, DMAP, NCC, Northern Mindanao Shippers Association (Norminsa), Mindanao Business Council (MBC), and others.

- On May 29, CRC attended the Export Development Council (EDC) Networking Committee on Transport and Logistics meeting and informed the body of the current study on “Ports and Terminal Handling Costs” being conducted.
- On May 30, CRC attended the World Bank-International Finance Corporation (IFC) “Doing Business” workshop with the NCC champions. The IFC, one of the principal authors of a report that overstated the cost of exporting a 20 foot container, is reviewing its methodology.
- On June 7, EDC organized a workshop for the presentation of the preliminary results of the study on Ports and Terminal Handling Costs. Among those who attended were Philexport, PCCI, EDC, DMAP, and the Philippine Shippers Bureau (PSB).
- On June 8, CRC attended the Mindanao Federation of Shippers Associations (MINFESA) pre-conference meeting where the team’s cost analyst presented the “Ports and Terminal Handling Cost” study.
- On June 21-22, CRC attended the 6th Mindanao Shippers Conference in Davao where they met with international shipping lines. The meeting confirmed findings that the THC covers costs of international shipping lines for local costs such as wharfage, berthing, cargo handling, documentation and other fees.

2.2 Policy Reports on Competition and Ports

Port Competition. On May 15, CRC met with PCCI, EDC, and DMAP to discuss pertinent issues about the following:

- Current mode of North Harbor privatization and EO 308;
- Infrastructure issues for presentation at the NCC meeting on May 17, including ports and shipping

The discussion aims to inform key stakeholders affected by maritime and shipping issues about relevant problem and issues.

B. Power

In 2001, the Electric Power Industry Reform Act (EPIRA) was passed to overhaul the power sector and to promote competition and efficiency. There has been some progress—cross-subsidies are being removed and an wholesale electricity spot market was established. However, five years later, sustainable and viable competition remains an elusive goal.

This activity explores various options for promoting competition. This quarter, the AIM Policy Center, with support from the Foundation, began assisting PEZA in its goal to achieve lower power cost for its locators.

Power Sector Activity Success Story

First Step Towards Competition and Open Access in Electricity Market

In 2001, the Electric Power Industry Reform Act (EPIRA) was passed to introduce competition and ensure energy self-sufficiency. EPIRA envisioned a competitive and privatized generation sector, a privatized transmission sector and the ability for businesses and retail consumers to select the supplier and generator of their choice. This competitive environment would only come to fruition after 70% of the government assets generating companies is successfully privatized.

Since then, however, little progress has been made. Approximately 11% of the government generating assets has been privatized and none of the independent power producer contracts has been tendered for private sector management and control.

Frustrated with the pace of reform, The Asia Foundation, in partnership with the Asian Institute of Management Policy Center developed a series of activities to jumpstart privatization and increase competition in the energy sector.

In April, the country took its first step toward the introduction of competition and open access in the energy sector.

Created to establish and operate special economic zones, the Philippine Economic Zone Authority (PEZA) has the authority to “regulate and undertake the establishment, operation and maintenance of utilities, other services and infrastructure in the ecozone, such as heat, light and power,” among others.

However, since its establishment in the early 1970s, PEZA has not exercised its regulatory authority over private ecozones. As a result, the locators have always been considered part of the “captive market” of the distribution utility serving the ecozone. With some of the highest costs of electricity in the region, many potential investors have turned to other locations in Vietnam, China, and others.

To increase the competitiveness of the country and its attractiveness as an investment location, the PEZA Board issued *Memorandum Circular 2007-010* to introduce a fully competitive electricity market within ecozones on April 23, 2007. Specifically, the Circular allows locators “to have the choice of supplier in regard to electric power generation, metering and/or billing in the exercise of the freedom to access reasonably-priced electric power supply and services.” The goal is implement the open access program in all PEZA ecozones by the end of 2007.

In addition to increasing competition in the ecozones, the program is central to the implementation of EPIRA’s open access policy in the entire country. Supply contracts between the national government’s generating company, National Power Corporation, and ecozone locators can now be attached to the privatization of the government generating plants. These will add significantly to the attractiveness of the power plants in the privatization effort which in turn will lead to full open access and increased competition. As a result, the government will be able to meet the 70% privatization target. But more importantly, through increased competition, lower cost and more efficient service are expected for consumers.

1. Options to Promote Competition

1.1 Analysis of Various Pro-Competition Programs

- This activity was completed in a previous reporting period.

1.2 Feasibility study on distributed power generation

- As per agreement of the CTO, this activity will not be pursued.

1.3 Policy options for implementing open access and competition

On April 23, PEZA issued Memorandum Circular (MC) 2007 010, which contains the “Declaration of Policy on the Regulatory Powers of PEZA.”

- On April 23, the AIM met with PEZA in preparation for PEZA’s consultation with its locators on the issue of lowering energy costs. Outputs included:
 - Draft presentation for Director General Lilia de Lima
 - Draft presentation for Deputy Director General Jesus Sirios
- To implement MC 2007 010, PEZA scheduled to conduct consultation workshops with locators and PEZA Energy Technical Working Group (TWG) sessions, which began on May 4. The AIM assisted PEZA in preparing the following documents for the workshops:
 - Power Roadmap

- Memorandum Order on Guidelines for Contracting Generation
 - Guidelines for the Regulation of Electric Power Services in the Ecozones
 - Guidelines in the Registration of Electric Power Utilities/Entities Operating Inside the Ecozone
 - Guidelines for Provision of Generated Electric Power in the Ecozones
 - Guidelines in the Regulation of Distribution Utilities Operating inside the Ecozones
- In May, the AIM began conducting activities for the unbundling of electricity rates in public ecozones. This is a crucial step toward jumpstarting competition and open access in the power sector.
 - In May, the dominant power distribution utility Meralco issued a petition for declaratory relief for the Department of Justice’s ruling allowing PEZA to regulate power supply inside ecozones. The AIM provided technical and legal analysis to assist PEZA in responding to the petition.
 - The AIM discussed and shared with the National Power Corporation (NPC) data that may be helpful in the drafting of model contracts with locators.
 - In May, the AIM began preparing the draft guidelines for contracting power supply in the ecozones. They are currently reviewing the following guidelines:
 - Model Term Sheet for Supply Contract Negotiations
 - Presentation on Power Supply Contracting Workshop
 - Bilateral Power Contracting 101
 - In June, the AIM helped PEZA prepare presentations and guidelines for a “Contracting Power Supply” workshop for the locators. The activity is targeted for August depending on the outcome of the trial presentation to PEZA zone administrators.

2. Joint Stakeholder Negotiation

2.1 Stakeholder Assessment

- As per agreement of the CTO, this activity will not be pursued.

2.2 Joint fact-finding on the reform process

- As per agreement of the CTO, this activity will not be pursued.

2.3 Facilitated Negotiation

- As per agreement of the CTO, this activity will not be pursued.

C. Air Transport Sector

In 2003, President Arroyo signed Executive Order 253 declaring Clark “as a Developmental Route” for cargo service. Since then, the Diosdado Macapagal International Airport (DMIA) emerged as a significant logistics hub in Asia. In January 2006, the President signed EO 500, allowing the unrestricted entry of passenger flights to Clark. However, the policy was revised by EO 500A.

This activity will examine the policy environment and the potential lessons for the development of other regional cities.

Air Transport Activity Success Story

Increased Access to Key Market: The RP-Korea Air Services Agreement

Over the last few years, Korea has emerged as the largest single market and one of the fastest-growing tourism markets. According to government figures, Korean arrivals increased significantly by 51% between 2003 and 2006. Tourist arrivals in 2003 were 378,602. In 2006, tourist arrivals jumped to 572,133.

Over the past few years, Foundation grantees, the Center for Research and Communications and recently the University of the Philippines at Clark, have provided technical assistance to increase air access to key destinations such as the Diosdado Macapagal International Airport in Clark.

Prior to the 2007 air agreement, Philippine and South Korean carriers were allowed 17 flights per week. In reality, market demand far exceeded the bilateral air agreement. For example in 2006, Korean carriers flew an additional 1,280 “charter” flights or an average of 24 extra flights per week. These additional “charter” flights, granted unilaterally by each country, were the principal drivers of the growth rates of Korean tourists.

On May 31, 2007, the Philippines and South Korea signed an air services agreement that formalizes these unilateral approvals, significantly increases air access and promotes competition. The agreement includes the following significant changes:

- The previous agreement was based on the number of flights allowed by each country regardless of the size of the aircraft. Because Philippine carriers had smaller planes, they were able to offer fewer seats. For example, Korean carriers flew 13,000 as compared to the 10,000 seats per week by Philippine carriers. The 2007 Agreement restores reciprocity by converting the entitlements from number of flights to the number of seats
- Under the new agreement, Philippine carriers can fly from any gateway in the Philippines to any gateway of South Korea. This will allow market forces to further determine supply and demand of capacity.

- The substantial increase in seat entitlements for both Philippine and Korean carriers. Each side can now fly 19,000 seats per week for a total combined capacity of 38,000 seats per week. For the Philippines, the additional 9,000 seats per week represents a 90 percent growth in capacity. This increase is expected to benefit new and emerging carriers such as Asian Spirit and SEAir.

The increase in seats is expected to help achieve the target of 1.5 million Korean tourists by 2010 set by the Department of Tourism (DOT). With improved infrastructure and facilities, increased air access between the Philippines and Korea is envisioned to contribute to progress in tourism, job creation, and increased trade and investment.

1. Policy on Clark as a Developmental Route

1.1 Policy Options for the Development of Clark

- CRC worked with various business associations concerning air transport issues. As a result, the business associations drafted and published a position supporting increased liberalization for Clark.
- CRC drafted an analysis on air rights and their use by foreign carriers.
- CRC gave a presentation to PCCI's Tourism Committee.
- On April 11, CRC made a presentation to various stakeholders of Clark, Pampanga on air transport liberalization: Subic Clark Area Development (SCAD) Council, Clark Development Corporation (CDC), Subic Bay Metropolitan Authority (SBMA), Clark International Airport Corporation (CIAC).
- On May 4, CRC made a presentation on the "Clark-Subic Logistics Hub" to the Metro Angeles Chamber of Commerce and Industry (MACCI). The presentation highlighted the development of the logistics hub, the hub's domain, and the possible models of logistics development that Clark and Subic could consider, e.g. the Singapore and the Amsterdam Aerotropolis schematic plan/design. Policy concerns and issues were addressed indirectly in the presentation and in the forum. Particularly, the policies about land use and land management have to be set in place very categorically.
- On May 16, CRC made a presentation on air transport liberalization at a Philippine Travel Agencies Association (PTAA) conference.
- On June 5, CRC made a presentation on "Open Skies and Regional Development" as part of the Economic Policy Reform and Advocacy (EPRA)-sponsored forum on

“Pocket' Open Skies: Creating Jobs Out of the (Thin) Air?” The presentation discussed the benefits of a liberalized air transport policy to the Philippine economy.

- UP Clark made a presentation on air transport issues to OFW organizations on June 20. This is an initial step toward providing relevant information on the benefits of increased air access to key stakeholders.

2. Strategic Marketing of Clark

2.1 Facilitate Strategic Marketing of Clark

- Alteon–Boeing, a pioneer full-service provider of airline training, met with the president of CIAC on June 4 to discuss the possibility of establishing a simulator training facility in Clark. CRC joined the meeting to provide technical inputs about the air transport industry in the Philippines, as necessary.
- The Foundation sponsored the participation of CRC and several CIAC staff to the “Air Law Conference and Workshop” in Macau from April 16-21, 2007. The activities provided an overview of the major legal principles governing international Air Law and Space Law. It also addressed contemporary, cutting-edge issues in Asian aviation and space policy, aviation liability issues, aircraft finance, government regulation and liberalization of air transport, airports and air traffic issues, aviation safety and security, and current issues in Space Law.

3. Reports on Regional Development

3.1 Research reports on Regional Development

- CRC is drafting a paper on the China tourism market to identify how the Philippines can become a more competitive destination for the China outbound travel market that is projected to reach 100 million by the year 2020. It outlines the prospects of the outbound market, the current tourism situation in the Philippines relative to these potentials, the issues related to the influx of the Chinese tourists, and the next steps to address the issues.
- CRC assisted in the preparation of a presentation on “Regulation in Asia’s Airline Industry” for the Cebu Tourism Congress on June 14, 2007. The Cebu Business Month ASEAN Tourism Congress gathered speakers and delegates from Cebu, Manila, Korea, Singapore, Indonesia, Hong Kong, China, and other countries in Asia.

D. Property Rights

- The Foundation is partnering with the Ateneo Center for Economic Research and Development (ACERD) to support activities that include research and policy studies, and public discussions on relevant issues involving property rights that impact on the country's social and economic progress.
- This quarter, ACERD agreed on pursuing several approaches to push for secure property rights:
 - The possibility of executive action, particularly the computerization of the Land Management Bureau's (LMB) database, is being explored. The activity will explore market-based solutions that will put in place an effective land management system with the ability to store, retrieve, analyze, report and display public land information efficiently and accurately for property owners, realtors, government agencies and other users.
 - Upon analysis of various property rights issues, ACERD concluded that creating a Land Markets Development Council (LMDC) is a potential solution to secure property rights in the country and should be a priority action point.

1. Exploring Short-term solutions

1.1 Potential Solutions

- ACERD drafted a revised Land Administration Modernization Act (LAMA) Bill based on the following analysis (1) The bill must address the concerns of the Land Registration Authority (LRA) and Register of Deeds, (2) the revised LAMA bill contains recommendations such as a policymaking committee and not simply a stakeholders advisory committee on the proposed Land Administration Authority.
- ACERD also looked at issues concerning the Transfer Certificates of Title (TCT). Based on its analysis, it was determined that a presidential decree mandating the use of spatial identification or graphical representation of the lot is feasible. However, this will largely depend on the database of the Land Management Bureau and the Land Registration Authority (LRA).
- To complement the activities, ACERD is studying the proposed BOT "Land Registration Authority (LRA) Computerization" project. They are looking into queries regarding contents required by law on title documents and possible additions, such as graphical description. They are also conducting a study on various land scams perpetuated through the years.
- ACERD met with the local and international representatives of the Institute for Liberty and Democracy (ILD) based in Lima, Peru. Discussions centered on the status of the de Soto program in the Philippine government and the possibility of

working together to strengthen technical assistance on land property reforms in the Philippines

- On April 2, ACERD attended the Land Administration and Management Project (LAMP) assessment conference. Some of the key lessons highlighted were:
 - Need to address the objections of the LRA and DOJ
 - Need to be more inclusive and get bankers and businessmen into the reform process and legislative lobbying
- This quarter, ACERD attended several meetings with various stakeholders including a number of private sector organizations to develop and gather data on the market-based approach concept. These include: Banker's Association of the Philippines, Real Bank, Standard Chartered Bank, Management Association of the Philippines, and the Rural Bankers' Association of the Philippines.

2. Improving the Land Management Bureau

2.1 Technical Report on improving the Land Management Bureau

- Based on discussions with USAID, activities for this component will not be implemented.

3. Increasing understanding of the importance of property rights

3.1 Build an informed constituency

- ACERD prepared presentation materials on property rights, which were used in forums and meetings with various stakeholders, which include:
 - Financial Executives of the Philippines
 - Capital Markets Development Council
 - Bankers Association of the Philippines
 - DMCI Holdings
 - Makati Register of Deeds
 - Landco Pacific
 - Makati Business Club
 - Greenfield Realty
 - Mega World Realty
- To reach a wide expanse of audience, ACERD met with various newspaper editors and columnists to discuss the importance of land administration issues and reforms.

E. Infrastructure

- This quarter, the Center for Research and Communication (CRC) and the Presidential Management Staff Infrastructure Monitoring Task Force (PMS-IMTF) tracked developments in the processing and implementation of key priority projects.

1. Implementing Priority Infrastructure Projects

1.1 Development, review and analysis of key infrastructure projects

- This quarter, CRC participated in several technical level meetings, spearheaded by the PMS-IMTF, with various line agencies concerned with the implementation of key infrastructure projects. They include the Department of Transportation and Communication (DOTC), Department of Public Works and Highways (DPWH), Philippine Ports Authority (PPA), Philippine National Railway (PNR), and the Light Rail Transit Authority (LRTA). CRC and PMS-IMTF monitored developments in priority projects such as ports, airports, roads, rail/light rail, and water supply.
- CRC, PMS-IMTF, and other concerned agencies, conducted site inspections of priority infrastructure projects. They include:
 - Diosdado Macapagal International Airport (DMIA)
 - Manila-Cavite Expressway
 - Dingalan Port
 - Kalibo International Airport
 - Laguindingan Airport

1.2 Assisting the Implementation of Priority Projects

- ***Bohol Irrigation Project Stage II (BIPS II)***. CRC conducted research work on the legality of the National Irrigation Administration (NIA) contracts with Hanjin-Kurimoto in light of NIA's legal opinion (dated June 4, 2007) that the contracts are binding. CRC prepared a legal opinion arguing that the contracts are not valid. A memo was submitted to Sec. Neri containing the facts and analysis.
- ***Right of Way Acquisition (ROWA) Courts***. CRC assisted the PMS-IMTF in finalizing the ROWA court letter (and to consolidate list/inventory of ROWA cases per priority infrastructure project) for endorsement to the director general of the Office of the Solicitor General (OSG). The letter was sent in June. Based on informal talks, the OSG expressed its interest to expedite the work on ROWA courts although a formal response has yet to be issued.
- ***Toll Road Projects***. CRC discussed the issue on the Philippine National Construction Corporation (PNCC) franchise and the "Toll Road" projects (Cavite-Laguna [CALA] and South Luzon Expressway [SLEX] Extension/Rehabilitation Project) with the World Bank.

- The Philippine Constructors Association (PCA) requested CRC to assist in the preparation of a short paper that will be used as justification for the use of Philippine peso funds (instead of dollar funds) for the Tarlac-La Union toll road project. The PCA will meet with NEDA to discuss the project.
- **South Luzon Expressway (SLEX).** On May 22, CRC attended a PMS-IMTF meeting to discuss the status of the SLEX projects: (1) SLEX Toll Road 1 or Alabang Viaduct, (2) SLEX Toll Road 2 (Alabang–Calamba), and (3) SLEX Toll Road 3 (Calamba-Sto. Tomas, Batangas). Representatives from the South Luzon Tollway Corporation (SLTC), Toll Regulatory Board (TRB), and MTD (a contractor) attended the meeting.
- **5th Inter-Agency Meeting on Mindanao Super Region.** On May 28-31, the team attended the 5th Inter-Agency Meeting on Mindanao Super Region. The projects in Mindanao discussed include:
 - **“Laguindingan Airport Development” project.** The team conducted an ocular inspection of the Laguindingan Airport. The project involves five subprojects, namely: a) Land Acquisition for Main Airport and Access Road; b) Construction of Temporary Perimeter Fence; c) Construction of Relocation Site Phase II; d) Construction of Access Road; and e) Civil Works for the new airport.
 - **Saudi Fund for Development (SFD).** SFD is offering 2% per annum interest for a loan to be used for its priority projects. Under SFD, there is no commitment fee and the loan is payable in 25 years.
 - **DPWH ARMM Projects.** Below are the list of the projects and their respective funding agency:
 - **Pump Priming Projects** – includes water supply, farm-to-market roads and flood mitigation projects. The ARMM Regional Government (ARG) has requested DPWH National to directly release funds for these projects to DPWH ARMM or to ARMM Regional Government for close monitoring
 - **JICA Funded Project** – JICA will release Php115M and Php25M for heavy equipment and training center, respectively, in ARMM.
 - **Pigkalagan Bridge** – DPWH ARMM undertakes the demolition of the existing bridge and construction of its detour since the Growth with Equity in Mindanao (GEM) project of USAID will construct the superstructure and sub-structure.
 - **Lapid-lapid - Sanga-Sanga Road** - this project will connect Bongao to mainland Tawi-tawi. It traverses two mangrove areas, thus requiring 2 bridges with a total length of 366.786 lineal meters. The total project cost is about Php80M where ARG will provide Php27M as its counterpart while the US Government committed to fund the rest.
 - **Philippine Ports Authority (PPA) Port projects.** The expansion of the Dapitan port in Mindanao is still on-hold pending the development of a RoRo port-cum-grains handling facility by the private sector. It can be recalled that the PPA gave

a permit to a private firm to expand the Dapitan port. The construction was delayed due to delays in the engineering study.

1.3 Recommendations to Implement Priority Infrastructure Projects

- ***National Competitiveness Council (NCC).*** CRC assisted the NCC in drafting a letter to President Arroyo regarding the NCC Infrastructure Working Group policy recommendations:
 - Issuance of liberalization policy for the development of Diosdado Macapagal International Airport
 - Issuance of EO 170-C (Chassis RoRo policy)
 - Certification as “urgent” the Bill for the amendment to the PPA Charter
 - Fast-tracking the RoRo port development under the Central Nautical Highway
 - Lighting of airports
- ***Laiban Dam project.*** On May 4, CRC conferred with NEDA lawyers to suggest that the project be bid out instead of awarded to a Chinese contractor.

2. Policy Analysis

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

- CRC conducted further analysis on the proposed Build-Operate-Transfer (BOT) Implementing Rules and Regulations (IRRs). The main issue is how to balance the President’s instruction to dispense with NEDA’s oversight functions over infrastructure projects and the international donor community’s wish to maintain an efficient and transparent evaluation of infra projects. Prior to this, CRC met with the American Chamber of Commerce (AmCham) who is pushing for a streamlined process and the participation of foreign observers to the ICC meetings and deliberations. A memo was prepared on the proposed amendments to the IRRs.
- To gather more information on the revised BOT IRRs, CRC attended the public hearing on the proposed revisions to the BOT IRRs on May 10. The forum clarified the position of various stakeholders and served as a guide to what new rules should be approved.

Others

- On April 30, CRC attended the pre-NCC meeting with PCCI and the NCC Infrastructure Champion, the person tasked to oversee and coordinate the activities for the accomplishment of NCC’s targets in a particular sector. The following issues were discussed:
 - Status of 20 key priority infrastructure projects
 - Proposed amendments to the BOT IRR

- ROWA Court
- Air transport liberalization
- On May 17, CRC presented policy recommendations to the NCC. The Council approved the following recommendations for presentation to the President in the next cabinet meeting:
 - Issuance of EO 170-C
 - RORO Central Nautical Highway
 - PPA as a regulatory agency
- CRC met with the World Bank to discuss the deletion of CALA, LRT South Extension and Cebu Bulk Water from the list of priority infrastructure projects.

On May 4, with project support, the Center for Research and Communications in partnership with the Export Development Council, the Presidential Management Staff Infra Monitoring Task Force, hosted the Second National Infrastructure Forum focused on the Luzon Urban Beltway. The event also featured updates and on-going projects in other super regions. More than 250 participants from the government, private sector, business groups, and civil society organizations and donor community attended the event. The head of PMS and the IMTF gave the welcome and opening remarks. Among the forum reactors were USAID's mission director and PCCI. Various cabinet members made a presentation on on-going infrastructure projects in Central Philippines, North Luzon Agri-business Quadrangle, Luzon Urban Beltway and Mindanao.

In response to the issues raised during the forum, Sec. Remonde sent a letter to various agencies concerned.

- On May 9, CRC met with PMS-IMTF to discuss post-Infrastructure Forum assessment and plans for the subsequent infra forums on other super-regions (Mindanao, Central Philippines, and NLAQ).
- ***Philippine Development Forum.*** On June 20, CRC met with the Japanese Embassy and the chairman of the PDF to discuss the agenda of the next meeting in July, in preparation for the September PDF Mid-year Conference.

F. Regulatory Performance

- Upon discussion with USAID, it was agreed upon that the Foundation will not pursue this activity.

Public Information Training and Analysis

- The management team consulted with a stakeholder relations firm on issues related to message formulation, drafting of official documents and contracts in accordance with the Foundation's policies.
- The schedule of the messaging workshop for new grantees is scheduled for the 3rd quarter of 2007.