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# ENHANCING ASEAN CONNECTIVITY: THE ASEAN RO-RO INITIATIVE

ADVANCING PHILIPPINE COMPETITIVENESS (COMPETE) PROJECT

CONTRACT NO. AID-492-C-13-00008

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## ENHANCING ASEAN CONNECTIVITY: The ASEAN RO-RO Initiative

Dr. Enrico L. Basilio<sup>1</sup>

### Introduction

The 2007 ASEAN Economic Community Blueprint calls for the transformation of ASEAN into a single market and production base. In 2009, during the 15<sup>th</sup> ASEAN Leaders' Summit, the Leaders declared that: "intra-regional connectivity within ASEAN and its sub-regional grouping would benefit all ASEAN Member States through enhanced trade, investment, tourism and

### Connectivity in support growing ASEAN Trade



development." Philippine President Benigno Aquino III advocated for the establishment of a regional roll-on/roll-off (RO-RO) shipping network in his ASEAN agenda: "...the Philippines has major interests here, with its existing nautical highway or RO-RO project. Once it is implemented, ASEAN connectivity will bridge our nation to our neighbors, shorten transfer distances and open more economic opportunities for more people." (43<sup>rd</sup> ASEAN Foundation Day, August 9, 2010). A High Level Task Force was created in 2010 was formed to craft the Master Plan on ASEAN Connectivity.

The late Ambassador Cesar Bautista and Dr. Enrico L. Basilio served as Permanent and Alternate Philippine Representatives (respectively) to the ASEAN High Level Task Force (AHLTF) that crafted the 2010 Master Plan on ASEAN Connectivity (MPAC). The Philippine delegation to AHLTF succeeded in advocating for the inclusion of the ASEAN RORO Network in the 2010 MPAC as a maritime connectivity strategy and one of the fifteen (15) ASEAN Connectivity Flagship Projects. (Note: The ASEAN RORO Project was retained/included in the 2025 MPAC).



<sup>1</sup> Chief of Party, USAID Advancing Philippine Competitiveness (COMPETE) Project. Dr. Basilio served as Alternate Philippine Representative [together with Ambassador Cesar Bautista (+) as Permanent Philippine Representative] to the High Level Task Force (HLTF) that crafted the Master Plan on ASEAN Connectivity in 2010.

Ambassador Wilfrido Villacorta (head of the Philippine Permanent Mission in ASEAN and Philippine Representative to the ASEAN Connectivity Coordinating Committee [ACCC]) and Dr. Basilio worked on the implementation of the ASEAN RORO initiative. Under the leadership of Ambassador Villacorta, the ACCC designated the Philippines and Indonesia as co-shepherds of the ASEAN RORO Project implementation.

### THE DAVAO-GENERAL SANTOS (PHILIPPINES) – BITUNG (INDONESIA) RORO LINK

The Davao-General Santos (Philippines) - Bitung (Indonesia) RORO route was selected to be the first route to be established in ASEAN. The Philippine National Government included the ASEAN RO-RO Network in its Philippine Development Plan for 2011 – 2016.



In September 2016, newly elected President Duterte announced at the 13<sup>th</sup> Business and Investment Summit: ***“I commit to promote the BIMP EAGA...We have to further expand our roll-on/roll-off (RORO) facility to Davao, General Santos, and Bitung in Indonesia.”***



On 30 April 2017, Philippine President Rodrigo Duterte and Indonesian President Joko Widodo launched the Davao-General Santos-Bitung RORO service at Kudos Port in Davao City. It is fitting that the first ASEAN RO-RO route was established between the Philippines and Indonesia, being co-shepherds for the implementation of the ASEAN RO-RO Connectivity Flagship Project.



## RO-RO Shipping

RO-RO is a mode of shipping designed to carry rolling cargoes that do not require quay cranes for loading or off-loading (e.g., cars, buses, trucks, chassis-mounted containers, etc.) because they simply roll on and off the ramp of the RO-RO ship. RO-RO shipping eliminates cargo handling labor and equipment, and reduces the amount of time required to be in a port that can lead to considerable reductions in sea transport costs and improvement in service quality (E. Basilio et al, ADB Bridges Across Oceans, 2010).

The increasing intra-ASEAN trade is driving the need for greater regional connectivity. The advantage of the ASEAN RO-RO Network is that the connections are point-to-point (no longer passing through a regional transshipment port). This is akin to the low-cost carrier operations (LCC) in the airline industry. Moreover, the presence of domestic RO-RO systems in archipelagic ASEAN complements this regional RO-RO network initiative.

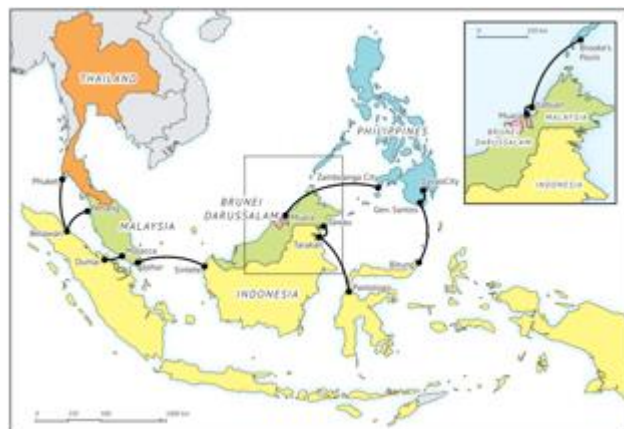
RO-RO shipping is not a new transport technology. It is extensively used in Europe as a mode of sea transport. In East Asia, RO-RO shipping is expanding. There are 15 RO-RO routes between China and Korea, six (6) RO-RO routes between Japan and China, and five (5) RO-RO routes between Japan and Korea. In the Philippines, there are well-established domestic RO-RO nautical highways that connect Luzon and Mindanao via the Visayan Islands. In Indonesia, there is a domestic RORO program called “Sea Toll”.

RO-RO is a transport mode that can hasten ASEAN connectivity. RO-RO, compared with conventional shipping and air transport, is faster and more affordable. More importantly, RO-RO is “greener” since its operation emits less carbon emission compared with air transport. Moreover, it does not require huge investment in port facilities, expensive cargo-handling equipment (quay-side cranes), and deep draft/s. For developing economies with inadequate funding for physical infrastructures, the RO-RO system presents a viable option.

In 2012, the Japan International Cooperation Agency (JICA) was requested by the ACCC to undertake feasibility studies on the following proposed ASEAN RO-RO routes:

1. Davao City – General Santos – Bitung
2. Tawau – Tarakan – Pantoloan
3. Brooke’s Point – Labuan – Muara
4. Muara – Zamboanga City
5. Sintete – Johor
6. Dumai – Malacca
7. Belawan – Penang
8. Belawan - Phuket

**Proposed ASEAN RO-RO Routes**



Based on this study, the **Davao – General Santos Bitung route** is one of the three (3) RO-RO connections that exhibit strong potential in terms of cargo traffic, available infrastructure, and institutional arrangement. This finding is consistent with the parallel study done by USAID Economic Growth Hubs Project in 2011. In 2013, the USAID Advancing Philippine Competitiveness (COMPETE) Project conducted another study for the Buliluyan (Palawan) – Kudat (Sabah) RORO route. In March 2017, Transportation Secretary Arthur Tugade has conducted initial discussions with his Malaysian counterpart for the launch of the second RORO route (Palawan – Kudat RORO link). Moreover, the business community is looking at the possibility of establishing a Batangas (Philippines) – Humen (China) – Da Nang in (Vietnam) route.

### **Private and Public Sector Support**

The business communities (ASEAN Business Advisory Council, Philippine Chamber of Commerce and Industry, Davao-General Santos Cities Chambers of Commerce and Industry, Supply Chain Management Association of the Philippines, Export Development Council, Philexport, North Sulawesi Business Council) in both countries worked closely to ensure the establishment of the route. A series of business delegations from both sides were organized. The Mindanao Development Authority (MinDA), Department of Transportation (DOTr), Department of Trade and Industry (DTI), Department of Foreign Affairs, and the Philippine Consulate in North Sulawesi actively supported these activities. As a result, a Memorandum of Cooperation (MOC) was signed on February 24, 2017 by the Philippine and Indonesia business leaders expressing strong desire and support for the establishment of Davao – General Santos – Bitung RO-RO route. The business leaders agreed to wage a marketing campaign in Manado, Indonesia to jumpstart the inaugural RO-RO service.

For its part, The Department of Transportation (DOTr), Trade and Industry (DTI), Philippine Ports Authority (PPA), and the Mindanao Development Authority (MINDA) endorsed the amendment of the RO-RO policy to allow chassis-RORO (Cha-RO) as part of the RO-RO service in order to lower transport cost and address the following concerns: (a) right-hand/left-hand land transport systems; (b) movement of natural persons and labor displacement (truck drivers); and (c) vehicle (truck) registration. In March 2016, President Aquino issued EO 204 (s. 2016) amending the definition RORO service to include ChaRo. Once the implementing rules and regulations (IRRs) are in place, the Department of Foreign Affairs (DFA) shall initiate discussions with its Indonesian counterpart for a protocol that will enable the mutual recognition of chassis by both countries. Finally, the Department of Trade and Industry (DTI), working with its Indonesian counterparts, succeeded in lifting the restrictions on three Philippine export products (i.e., food and beverage, electronics, and garments) at the Port of Bitung. Indonesia also permitted Philippine beauty products, fertilizer, construction materials, fresh and processed fruit, agricultural inputs, tinned food and packaging materials to be imported. In return, the North Sulawesi-Mindanao trip brought Indonesian coconut,

lumber, fish and furniture back to be traded in the Philippines.

### **Economic Benefits**

The route is expected to reduce the transport cost (from \$2,200 to \$700 per twenty-foot container) and time of travel (from 4-5 weeks to 1.5 days) between the Philippines and Indonesia. Initial trade for this year (between Mindanao and North Sulawesi) is estimated at \$150 million and expected to dramatically increase in the coming years.

At the launch of the DGB Route, President Duterte hailed the event as “a reminder that our relationship is not just between trade partners, but between friends that are tied together by a bond that transcends borders.” Meanwhile, President Widodo expressed hope that trade will spark growth outside Manila, noting that the DGB service “represent(s) new opportunities that will bolster new businesses for both our peoples.”

