15. Loan program for agricultural investment.

1.5.2 PROJECTS AND PROGRAMS FOR INFRASTRUCTURE DEVELOPMENT

1. Construction of multi-purpose centers to support agricultural and fishery production and marketing.
2. Farms-to-market roads network development project. Linked with projects of transportation sector, such as road network for the vegetable basket area.
3. Small scale irrigation infrastructure development and rehabilitation project
4. Fish landing infrastructure development project
5. Cebu's Integrated Rural Livelihood Promotion Center development project (Barili Training Center).
6. Social Infrastructure for Rural Population. Linked with projects of other sectors such as rural water supply, School building, Hospital building, Recreation Centers.

1.6 A BRIEF DESCRIPTION OF PROPOSED PRIORITY PROGRAMS AND PROJECTS FOR THE AGRICULTURAL AND RURAL DEVELOPMENT

(1) Program For Facilitating Implementation of CARP

- Location: Province wide, with especial emphasis in those Municipalities with large land area to be distributed under CARP.
- Implementing Agency: Department of Agrarian Reform (DAR).
- Relevant Agencies to be Coordinated: Provincial Government, DA, CDA, LGU's.
- Objectives: To speed up the implementation process of the Comprehensive Agrarian Reform Program. To promote equitable distribution of resources. To increase income of farm households. To reduce poverty incidence. To improve management of natural resources, as a result of awarding land ownership to the ones who actually till the land.

- Project Description: To strengthen the implementing capability of DAR and other related agencies by providing the necessary technical support, and equipment such as vehicles, land surveying equipment.
  To secure the funds necessary for paying to the land owners. To provide the infrastructure support for production and marketing, especially in those municipalities with larger land areas to be affected by CARP. To strengthen the agricultural extension service in CARP areas. To facilitate formation of the cooperatives among CARP beneficiaries.

- Target Beneficiaries: More than Twenty thousand rural families (more than 100,000 people) that are targeted to receive their own piece of land, are the direct beneficiaries.

- Expected Benefits/Output: Finish implementation of CARP according to the schedule. Increase production and income of farmers households in the CARP areas. Mitigate inequity.

(2) Farmers and Fishermen Multipurpose Cooperative Development and Strengthening Program

- Location: Province Wide

- Implementing Agency: Cooperative Development Authority (CDA)

- Relevant Agencies to be Coordinated: LGU's, DA, PAO, MAO, DAR, DENR, DSWD, NFA, NEDA, Land Bank, Coconut Authority, and NGO's.

- Objectives: To facilitate the process of organizing the farmers/fishermen multipurpose cooperative by coordinating work among LGU's, line agencies related to agriculture and social sector, and NGO's. To form a Strong Multi-purpose Cooperative of Farmers and Fishermen with continuous linkages from Barangay up to Provincial level. To facilitate extension service, training, provision of farming credit, and marketing of produce.

- Project Description: To form a Task Force at provincial and municipal level, composed of technicians from LGU's, CDA, DA, DENR, DAR, DSWD, NEDA, PAO, existing Agricultural Cooperatives, and NGO's. The objective of the Task Force will be to organize ONE Multi-purpose Cooperative using a bottom up approach, that is, from Barangay up to Province level. Cooperative organization and strengthening will be the primary duty of the Task Force members during the first year of the project.

The Task Force will be provided with the means necessary to effectively carry out their duty, including transportation vehicles, common office space, computers, and others as required.

- Target Beneficiaries: At least 75% of land tillers and fishermen province wide

- Expected Benefits/Output: A strong Multipurpose Rural Coop will be organized. The existence of the cooperative will facilitate: (1) Agricultural extension services, (2) Provision of agricultural credit, (3) diversification and increase of agricultural production, (4) marketing of produce, (5) implementation of measures for conservation of natural resources, (6) increase income of rural families, and (7) reduce incidence of poverty in rural areas. The organization of this type of cooperative will facilitate the provision of other rural services such as water supply and road maintenance.

(3) Program for Strengthening The Agricultural Extension Services and Development of a New Farming System

- Location: Province wide

- Implementing Agency: LGU's at each Municipality

- Relevant Agencies to be Coordinated: All line agencies related to agriculture, social development, and natural resources management: DA, CDA, DAR, DENR, DSWD, NFA, NEDA, Land Bank, Research Consortium.

- Objectives: To develop an efficient agricultural extension service. To facilitate demonstration and propagation of appropriate farming technologies.

  To accelerate the process for diversification and increase of agricultural production.

- Project Description: Strengthen Agricultural Extension Services by augmenting the number of personnel directly responsible for providing the services, and upgrading the technical capability of those personnel. Creation of a COORDINATION SYSTEM between and among workers of extension service and other technician of LGU's and line agencies. To provide the means and materials required to effectively carry out the agricultural extension services, including means of transportation such as motorcycles that could be provided through a Financing scheme. To define and arrange a Technology Package of appropriate recommendations for dissemination to the farmers by the extension service.

- Target Beneficiaries: At least 75% of land tillers and fishermen province wide.

- Expected Benefits/Output: An effective and efficient Agricultural Extension service will be in place; Farmers and Fishermen will receive appropriate and updated technology to improve productivity; Increase in Agriculture and Fishery production; Increase income of rural households; Better management of the natural resources; and strengthened the Farmers and Fishermen Cooperative.

(4) Multipurpose Center for Supporting Cooperative Development, Agricultural Production and Marketing

- Location: The short-term target Pilot Projects in the municipalities of Bantayan, Sogod, Balamban, and Carcar. The medium-term target the municipalities of Dalaguete and Alegria. The long-term target the municipalities of Dumanjug, Tuburan, Bogo, and Carmen.

- Implementing Agency: The Cooperative Development Authority

- Relevant Agencies to be Coordinated: All LGU's within a district, and all line agencies related to agriculture and social development: DA, DAR, DENR, DSWD, NFA, DPWH, PEO, NEDA, and NGOs.

- Objectives: To function as center of operation at district level of all activities for supporting development of the multipurpose cooperative, such as community organizing, extension service, financing, marketing, data collection and analysis, supplying input for production such as seeds, fertilizers, working tools. To function as food terminal, facilitating marketing of farm and fishery produce. To facilitate a stable and economic supply of feed for livestock and poultry industry. To facilitate the delivery of community services such as water supply, road maintenance, and others, by coordinating with LGU's and the Cooperative.

- Project Description: Construction of the infrastructure needed for the effective function of the multipurpose cooperative at district level. The infrastructure will include: offices for the cooperative and for all LGU's personnel concerned with agriculture and rural development, conference room, warehouse, cold storage, grain storage, feed mixing plant. In those districts with large production of fruits and vegetables a Vapor Heat Treatment Plant should be included. It is proposed that all the infrastructure be located within one compound.

• Target Beneficiaries:	The direct beneficiaries will be the land workers, fishermen, rural women and youth members of the multipurpose cooperative.
• Expected Benefits/Output:	The activities expected to be carried out within the compound of the multipurpose center will produce a large impact in the organization and economic process of a large percentage of the population of each community. It is expected that the center will produce a large impact on: Community organizing, institutional strengthening and human resources development. Facilitate all activities of the rural cooperative such as: extension and training services, marketing of local production, assure adequate supply of input at reasonable prices.

(5) Community-based Resources Management Project

• Location:	Watersheds of Mananga, Balamban, Kotkot, Mandaue, Lusaran, and Sapondaku rivers.
• Implementing Agency:	"Research Management Center"
• Relevant Agencies to be Coordinated:	All LGU's within a district, and all line agencies related to agriculture and social development: DA, DAR, DENR, DSWD, NFA, DPWH, PEO, NEDA, and NGOs.
• Objectives:	To organize the community and Strengthen the working capability of LGUs. To improve management of Land and water resources. To support afforestation of important watersheds. To improve agriculture, livestock and fishery production. To uplift living condition of rural families.
• Project Description:	Implementation of environmental measures especially, for soil and water conservation, prevention from environmental vulnerability. Extension of mangrove reforestation program. Program to support the activities of existing "Resources Management Training Center (RRMTC)", Taptap in Cebu city.
• Target Beneficiaries:	Inhabitants of Mananga, Balamban, Kotkot, Consolation watersheds areas, especially farmers and fishermen.
• Expected Benefits/Output:	Improvement of environmental conservation in each watershed area. Reduction of flash flood in lowland. Diffusion of environmental technical measures.

(6) Cebu Integrated Rural Livelihood Promotion Center (Barili Center)

- **Location:** Boloc barangay, municipality of Barili, District 2, Cebu Province.
- **Implementing Agency:** Cebu's Provincial Government.
- **Relevant Agencies to be Coordinated:** DA, DAR, DENR, DSWD, DOST, NFA, NEDA, DTI, CDA, RMC, NGO's.
- **Objectives:** To provide an adequate venue for conducting agricultural training. To showcase appropriate technologies for improving agricultural production and other livelihood activities. To develop the entrepreneurial capability of community leaders (land tillers, fishermen, rural women and youth leaders). To update the knowledge of technicians engaged in extension work. To provide expatriate experts for the training of local staff.
- **Project Description:** Construction of the new infrastructure for the training center; Provide all necessary equipment for implementing training programs; Provide equipment necessary to facilitate training, product research and development. Provide expatriate expert personnel on the subjects of: (1) Development of rural cooperatives, (2) Agricultural marketing, (3) Rural micro-enterprise development, (4) Horticulture production, (5) Integrated pest management, 6) Organic farming, and 7) Fishery.
- **Target Beneficiaries:** Province wide community leaders organized in the multipurpose cooperative, rural women and youth organized in the cooperative, technicians responsible for agricultural extension services.
- **Expected Benefits/Output:** Strengthening of rural leadership on cooperative activities; Develop entrepreneurial capability of rural folks, including women and youth, Strengthening agricultural extension services, Improve production and increase income of rural families, Poverty alleviation.

(7) Municipal Fish-Landing Piers Development or Improvement Project

- **Location:** Municipalities of Bantayan, Daan Bantayan, Bogo, Borbon, Moalboal, Tuburan, and San Francisco.
- **Implementing Agency:** LGU's of the proposed municipalities

- Relevant Agencies to be Coordinated: DA, DAR, CDA, DPWH, PEO, NEDA
- Objectives: To develop the infrastructure and provide facilities necessary for handling and marketing of fish.
- Project Description: Construction or Rehabilitation of Municipal Fish landing Piers. Installation of facilities and equipment necessary for handling and marketing fish.
- Target Beneficiaries: Approximately 50% of the Province's Fishermen and those engaged in fish handling and marketing.
- Expected Benefits/Output: The selected Municipalities will have new or improved fish landing pier. The conditions for proper handling of fish will be facilitated and improved.

(8) Kauit Regional Fish Landing and Handling Port Development Project

- Location: Kauit islet, Cebu city
- Implementing Agency: Department of Public Works and Highways
- Relevant Agencies to be Coordinated: Port Authority, LGU's, NEDA
- Objectives: To provide a modern infrastructure to facilitate landing, handling, and marketing of large amount of fish brought daily to Cebu city by commercial fishing vessels from other provinces. To contribute to hygienic handling of fish. To reduce contamination of the market area. To contribute to reduce traffic congestion process and beautification of the market area.
- Project Description: Construction of a modern type of fish landing port with related facilities and equipment necessary for the handling, conservation and distribution of large volume of fish. Construction of a 850 m causeway for easy access to the island.
- Target Beneficiaries: All fishermen who bring their fish production to the regional fish landing and handling port. The large number of fish distributors and retailers in the main fish market center of the Region VII. The entire Cebu community as a result of controlling pollution, improving hygiene, reduce congestion, and beautification of the city.

- Expected Benefits/Output: A modern Inter-regional fish landing port will be in place. The condition for handling fish will be facilitated and improved. A significant reduction of pollution in the fish market and surrounding waters will be achieved. Noticeable improvement of hygiene of the fish market. Increase in collection of revenue by city administrator.

(9) Irrigation Infrastructure Development and Rehabilitation Project

- Location: Municipalities of Carcar, Argao, Balamban, Asturias, Barili, Dumanjug Pinamungahan, Cebu city, and Carmen.

- Implementing Agency: National Irrigation Administration (NIA)

- Relevant Agencies to be Coordinated: DA, DENR, DAR, LGU's, Irrigators Association.

- Objectives: To increase the land area under irrigation. To improve water use efficiency. To facilitate and assure the production of high value crops. To increase the level of provincial self-sufficiency in food. To increase income of beneficiaries' farm households. To alleviate poverty in rural areas.

- Project Description: Feasibility Study of CAN-ASUJAN Community Irrigation System. Rehabilitation and Enlargement of OWAK-SAN ISIDRO Irrigation system. Implementation of Irrigation Projects identified by the Small Scale Irrigation Development Project (SSIDP). Implementation of Small Water Impounding Projects (SWIMP).

- Target Beneficiaries: Approximately 2000 farm household users (10,0000 people) of the irrigation system.

- Expected Benefits/Output: A large percentage of the potentially irrigatable lands will provide with irrigation facilities. Significant increase in Agricultural Production. Uplifting the economic condition of beneficiary households. Water use efficiency will increase significantly, therefore more water will be available for other uses.

APPENDIX TO CHAPTER 1

FARM SIZE DISTRIBUTION

Farm size Range (ha)	Farms	%
< 0.5	50	20.2
0.50 to 0.75	39	15.8
0.75 to 0.99	14	5.7
1.0 to 1.49	53	21.5
1.5 to 1.99	23	9.3
2.0 to 2.49	25	10.1
2.5 to 2.99	8	3.2
3.0 to 3.49	7	2.8
3.5 to 3.99	9	3.6
4.0 to 4.49	9	3.6
4.5 to 9.99	8	3.2
> 10	2	0.8

LAND TENURE

Type of Tenure	Farms	%
Own	94	38.2
Own & Shared Crop	31	12.6
Leasehold	9	3.7
CARP program	3	1.2
Shared Crop	97	39.4
Stewardship	4	1.6
Occupant Illegal	1	0.4
Others	5	2.0

THE TWO MAIN PRODUCTION FACTORS THAT FARMERS WOULD LIKE TO BE IMPROVED

	Number of Respondents	%
No.1 Factor		
Better Input Capacity	102	41.3
Better Land	66	26.7
More Land	62	25.1
Appropriate Faming Technology	11	4.5
Others	6	2.4
No.2 Factor		
Appropriate Faming Technology	117	47.4
Better Input Capacity	82	33.2
Marketing Support	23	9.3
Better Land	11	4.5
Irrigation Systems	6	2.4
Others	8	3.2

THE TWO MAIN PROBLEMS AFFECTING CROP PRODUCTION

	Respondents	%
No. 1 Problem		
Soil Fertility	165	66.8
Insects & disease	36	14.6
Lack Improved Crops Varieties	31	12.6
Weed	6	2.4
Lack irrigation Water	5	2.0
No answer	3	1.2
No. 2 Problem		
Weather	78	31.6
Insects & disease	45	18.2
Soil fertility	22	8.9
Drainage/Flood	18	7.3
Lack Irrigation Water	18	7.3
Weed	17	6.9
Rats	11	4.5
Lack improved Variety	7	2.8
Others	10	4.0
No answer	21	8.5

THE TWO MAIN MARKETING PROBLEMS ENCOUNTERD BY PRODUCERS

Type of Problem	Number of Respondents	%
No.1 Problem		
Price (low, Unstable)	87	35.2
No problem or No marketing	55	22.3
Transport of Products	24	9.7
Bad Road	23	9.3
Middlemen	5	2.0
Others	6	2.4
No answer	47	19.0
No. 2 Problem		
Price (low, Unstable)	28	11.3
No problem or No marketing	51	20.7
Transport of Products	31	12.6
Bad Road	11	4.5
Middlemen	11	4.5
Others	6	2.4
No answer	109	44.1

DO YOU RECEIVE ANY TYPE OF EXTENSION SERVICE?

	Number of Respondents	%
Yes	103	41.7
No	137	55.5
No answer	7	2.8

DO YOU RECEIVE ANY TYPE OF MARKETING SUPPORT?

	Number of Respondents	%
Yes	31	12.5
No	217	87.5

ARE YOU A MEMBER OF FARMERS GROUP?

	Number of Respondents	%
Yes	80	32.4
No	161	65.2
No answer	6	2.4

WHICH PAST PROJECT IMPLEMENTED HERE DO YOU RECOGNIZE AS GOOD?

Type of Past Project Considered Good	Number of Respondents	%
None good project	123.0	49.80
Road	23.0	9.31
Livestock Dispersal	22.0	8.91
Technical Assistance	18.0	7.29
Reforestation	16.0	6.48
Water Supply	10.0	4.05
School Construction	6.0	2.43
Irrigation	5.0	2.02
Fertilizer Supply	5.0	2.02
Cooperative Formation	3.0	1.21
Others	4.0	1.62
No answer	12.0	4.86

ARE YOU WILLING TO BE A MEMBER OF FARMERS GROUP?

	Number of Respondents	%
Yes	119	48.2
No	79	32.0
No answer	49	19.8

WHAT ARE THE MOST NEEDED MARKETING SUPPORTS ARE?

Type of Support Most Needed	Number of Respondents	%
Road Transport System	58	23.5
Pricing (fair price stable price, price information)	27	10.9
Marketing System	7	2.8
Others	9	3.6
No answer	80	32.4

DO YOU NEED AGRICULTURAL LOAN?

	Number of Respondents	%
Yes	93	37.7
No	148	59.9
No answer	6	2.4

DO YOU GET AGRICULTURAL LOAN?

	Number of Respondents	%
Yes	39	15.8
No	198	80.2
No answer	10	4.1

WHICH TYPE OF AGRICULTURAL SUPPORTING PROJECT/PROGRAM DO YOU WANT TO BE CARRIED OUT IN THIS BARANGAY?

Type of Project Wanted	Number of Respondents	%
Don't know	27.0	10.93
Road	28.0	11.34
Livestock Dispersal	46.0	18.62
Technical Assistance	16.0	6.48
Reforestation	9.0	3.64
Water Supply	27.0	10.93
Drainage/flood control	2.0	0.81
Irrigation	15.0	6.07
Fertilizer Supply	3.0	1.21
Cooperative Formation	2.0	0.81
Electrification	4.0	1.62
Seed & Seedlings	6.0	2.43
Livelihood Projectd	17.0	6.88
Loan Program	14.0	5.67
Marketing Support	6.0	2.43
No answer	25.0	10.12

THE TWO MAIN MARKETING PROBLEMS ENCOUNTER BY PRODUCERS

	Number of Respondents	%
No.1 problem		
Price (low, Unstable)	87	35.2
No problem or No marketing	55	22.3
Transport of Produce	24	9.7
Bad Road	23	9.3
Middlemen	5	2.0
Others	6	2.4
No answer	47	19.0
No. 2 Problem		
Price (low, Unstable)	28	11.3
No problem or No marketing	51	20.7
Transport of Produce	31	12.6
Bad Road	11	4.5
Middlemen	11	4.5
Lack of Market	6	2.4
No answer	109	44.1

ANNUAL INCOME FROM LIVESTOCK

INCOME RANGE (Peso/year)	Number of Respondents	%
No Income	79	32.0
< 1000	11	4.5
1000 to 2000	49	19.8
2001 to 3000	26	10.5
3001 to 4000	10	4.1
4001 to 5000	24	9.7
5001 to 6000	6	2.4
6001 to 9000	11	4.5
9001 to 15000	8	3.2
15001 to 20000	2	0.8
20001 to 30000	3	1.2
> 30000	4	1.6
No answer	14	5.7

HOW IS THE CONDITION OF THE FARM TO MARKET ROAD ?

Road Condition	Number of Respondents	%
Good Road	116	47.0
Bad Road	96	38.9
Very bad Road	27	10.9
No answer	8	3.2

DO YOU RECOGNIZE DEFORESTATION AS IMPORTANT PROBLEM IN THIS BARANGAY?

	Number of Respondents	%
Yes	171	69.2
No	71	28.7
No answer	5	2.0

ARE YOU WILLING TO PARTICIPATE IN REFORESTATION?

	Number of Respondents	%
Yes	165	66.8
No	61	24.7
No answer	21	8.5

ANNUAL INCOME FROM LIVESTOCK

INCOME RANGE (Peso/year)	Number of Respondents	%
No Income	79	32.0
< 1000	11	4.5
1000 to 2000	49	19.8
2001 to 3000	26	10.5
3001 to 4000	10	4.1
4001 to 5000	24	9.7
5001 to 6000	6	2.4
6001 to 9000	11	4.5
9001 to 15000	8	3.2
15001 to 20000	2	0.8
20001 to 30000	3	1.2
> 30000	4	1.6
No answer	14	5.7

ARE YOU GROWING BACKYARD LIVESTOCK IN ADDITION TO A CROP?

	Number of Respondents	%
Yes	216	87.5
No	28	11.3
No answer	3	1.2

CHAPTER 2

INDUSTRIAL AND TRADE DEVELOPMENT

CHAPTER 2
INDUSTRIAL AND TRADE DEVELOPMENT

2.1 INDUSTRIAL DEVELOPMENT PERFORMANCE IN CEBU

2.1.1 OVERVIEW OF INDUSTRIAL DEVELOPMENT IN THE PHILIPPINES

(1) Economic Growth of Asian Countries and the Stagnant Philippines

The Asian economy has been overwhelming the world in recent years, starting with the Japanese Miracle, followed by the Four Tigers (Hong Kong, Taiwan, Singapore, and South Korea). Further, since the late 1980s, the ASEAN countries have experienced rapid economic growth trying to catch up with the NIEs. In contrast to the soaring economies of ASEAN countries, the Philippines has not enjoyed rapid economic growth due to political instability, natural calamities, the Gulf War, and the high population growth.

TABLE 2.1.1 GNP GROWTH OF SOME ASIAN COUNTRIES AND THE WORLD

	Growth Rate (%)					
Area	1960/70	70/80	80/85	85/90	90/91	91/92
ASEAN	5.9	7.6	4.1	7.3	6.5	
NIEs	8.9	9.1	7.8	11.1	7.9	5.1
Japan	10.1	4.6	3.7	4.5	4.1	1.7
World	4.7	3.6	2.8	3.8	-0.2	

Source: APEC Report
Notes: ASEAN (Association of South East Asian Nations) includes Thailand, Indonesia, Malaysia, and the Philippines.
NIEs include Hong Kong, Singapore, Taiwan, and South Korea.

(2) Investments of Japanese Manufacturing Firms

Table 2 1.2 shows the number of projects/plants invested by Japanese manufacturing firms in Asian countries from 1960 to 1992. The major investment targets of Japanese manufacturers were Hong Kong, Thailand, and Singapore, accounting for 2,570, or 46.8% of the total investment projects of 5,496. In the earlier years, the bulk of investments was concentrated in Hong Kong and Singapore but since the late 1980s, Thailand has become the most popular investment destination.

During the same period, only 204 projects, or 3.7% of the total, were established in the Philippines. During the 1980s, the Philippines accounted for only around 2% of the total projects. However, starting in 1989, its share has improved to more than 4% of the total projects but the number of projects has not increased.

TABLE 2.1.2 INVESTMENT PROJECTS OF JAPANESE MANUFACTURERS IN ASIAN COUNTRIES (1960-1992)

	Total	-1980	81-85	1986	1987	1988	1989	1990	1991	1992
Asian Total	5,496	1,723	715	195	400	552	571	531	429	299
Korea	386	171	40	16	45	37	35	17	17	4
China	447	0	68	29	36	59	61	42	65	82
Taiwan	767	278	87	26	90	92	75	56	31	24
Hong Kong	853	333	123	47	65	74	62	60	50	26
Vietnam	3							1	2	
Thailand	857	238	72	20	49	132	135	107	67	36
Singapore	860	282	156	28	51	68	77	88	61	34
Malaysia	592	146	95	20	29	53	73	82	58	33
Philippines	204	81	16	1	10	11	24	24	21	13
Indonesia	378	157	26	3	12	13	23	46	52	39

Source: Foreign Investment List (1992), Toyo Keizai, Tokyo, Japan

TABLE 2.1.3 INVESTMENT OF JAPANESE FIRMS IN THE PHILIPPINES BY INDUSTRIAL SUBSECTOR AND PROJECT SITE (1960-1992)

	Area	Agri, Min.,Cons.	Manuf.	Service	Total
Luzon	Metro Manila	27	52	32	110
	Around Metro Manial	8	54	11	74
	Other Luzon	1	2	0	3
Cebu		0	7	0	7
Mindanao	Davao	2	2	0	4
	Cagayan de Oro	0	1	0	1
	Other Mindanao	0	1	0	1
Total		38	119	43	200

(3) Investments of Japanese Investors in the Philippines

Table 2.1.3 shows the breakdown by industrial subsector and site of the 200 investment projects out of the 204 shown in Table 2.1.2 (Project sites of the four unlisted projects are not identified). Cebu has 7 projects out of the national total of 200. Most of the investments from Japan in the manufacturing sector went to Metro Manila (110 projects) and the provinces around Metro Manila (74 Projects). All the seven projects located in Cebu belong to the manufacturing sector. Based on this table, Cebu has not yet drawn much of the Japanese investors' attention. However, most of the Japanese MEPZ firms are not included because only those Japanese manufacturers who were operating when an investment survey was conducted by Toyo Keizai. Toyo Keizai surveyed 4,770 firms about their investment in foreign countries and released the survey results as of October 1992.

2.1.2 MANUFACTURING SECTOR IN CEBU

(1) Major Local Manufacturing Subsectors in Cebu

(a) Food industry

There are many agro-based manufacturers in Cebu, engaged mostly in food processing, such as seafoods, fruit (mango, pineapple, banana, coconuts), and sugar. As backward linkage of food processing, there are some manufacturers who produce materials for dried food canning and other manufacturing goods. Such agro-based industries are serving both the domestic and international markets. For example, dried mango and nata de coco are exported to Japan.

(b) Wood furniture industry

Cebu's rattan furniture are quality export products. Japan is one of the biggest importers of rattan furniture from Cebu. The design and techniques used in rattan furniture making are excellent. For example, in Saba, Malaysia, where the raw unprocessed rattan is banned for export, the rattan exporters who produce rattan furniture hire workers from Cebu for design and some other furniture making techniques. Unlike rattan furnitures, wood furnitures are mostly for the domestic market.

The furniture industry is the second largest contributor to export earnings, accounting for 15.9% in 1992 although the share has not increased much. The industry is a core industry in consumer goods production in support of the local economy. To keep its position in Cebu's economy and to promote Cebu's growth, this sector should be further developed. To facilitate this sector's further development, a training center for skilled labor is being operated to train more furniture craftsmen.

(c) Garment industry

Export earnings of the garment industry grew by 8.3% from 1991 to 1992, less than the average for all the industrial sectors at 13.0%. Raw materials are imported. The industry is presently trying to expand its market to promote sales.

(d) Shipbuilding

As the Philippines is an archipelago, the shipbuilding industry is important. Due to the increasing volume of freight and the necessity of marine transportation in Visayas and nationwide, the demand for ships is growing.

(2) Operational Characteristics of Industrial Sector in Cebu

Table 2.1.4 summarizes the operation of industries in Cebu, showing sub-sector characteristics of industrial and service sectors in terms of procurement of raw materials, manpower, market, utilities, location, scale, and problems. Data were obtained through interviews with businessmen.

TABLE 2.1.4 OPERATIONAL CHARACTERISTICS OF INDUSTRIAL SECTOR

Industry	Raw materials are from:	Manpower Requirement/ Problems	Market (Foreign, Domestic)	Major Utility Requirement/ Problems
Food Industry				
Dried mango	Cebu and neighboring islands	Unskilled	Export	Fresh Water
Fruit juice	Cebu		Domestic & foreign	Fresh water
Fish canning	Cultural fisheries	Skilled	Asia, Japan, & USA	Power
Sugar	Cebu and other islands	Unskilled	Export	Power
Pearl	Other islands	Skilled	Export	
Metal Working				
Iron steel tool	Cebu, Manila, & import	Skilled	Domestic	
Steel furniture	Manila, & import	Skilled	Domestic	
Steel fabrication	Manila	Skilled	Domestic	
Shipbuilding	Manila, & import	Skilled & unskilled	Domestic & Foreign	Energy
Ship repair		Unskilled	Export(50% to Japan)	Port Facility
Ship Owners		Job hopping	Domestic Manila to Cebu	Oil cost
Furniture				
Rattan furniture	Neighboring islands (Mindanao)	Designer	Export to Japan	
Kitchen furniture	Cebu, Manila	Unskilled	Domestic & Foreign	Power
Combination set	Cebu manila	Skilled	Domestic	
Wood Furniture	Mindanao Neighboring islands	Skilled	Domestic	Power
Bank	Foreign money	Skilled	Foreign & domestic Investor	Telecommunication
Small Garments				
Dresses	Import & domestic	Designer	Foreign & domestic	
Clothes	Domestic		Export	
Hotel & Rest.		Skilled	Domestic Foreign	Power
Mactan EPZ				
Electronics	Import	Technician	Export	Telecommunication
Telecomm. system	Import & domestic	Technician	Export	Power
Daily goods	Import	Unskilled	Export	

Source: Interviews with businessmen, the Study Team, 1993.

TABLE 2.1.4 OPERATIONAL CHARACTERISTICS OF INDUSTRIAL SECTOR (CONT'D)

Industrial subsector	Location	Scale	Common facilities/ programs	Problems
Food Industry	Cebu, Mandaue	Small to medium	Sales promotion programs	• Lack of timely procurement of raw materials • Lack of fresh water • Less advanced technology • Lack of skilled labor
Metal Working	Cebu and Mandaue	Small	Training center	• Modernization • Lack of skilled labor • Lack of governmental technical support • Lack of finance • Production expansion
Ship Owners	Cebu	Small to large	Public relation	• dry dock • Lack of skilled workers
Furniture Wood Furniture	Cebu and neighboring area Cebu, Mindanao	Small Small	Sales promotion Training Center	• Untimely procurement or lack of Raw materials • Modernization • Lack of designers • Modernization of production • Lack of new entrepreneurs
Bank	Cebu	Large		• Lack of information network system
Small Garments	Cebu	Small	Fashion center Training center	• Introduction of computer aided design • Market expansion
Hotel & Restaurant	Cebu Other islands	Large	Sales promotion	• Lack of computer system Market Expansion
MEPZ Standard factory Other individually owned factories	Mactan	Small Large	Conference hall Expansion of a standard factory	• Lack of skilled workers • Lack of power supply • Inefficient commuting services

Source: Interviews with businessmen, the Study Team, 1993.

(3) Mactan Export Processing Zone (MEPZ)

(a) Location

MEPZ's strategic location within Cebu has attracted many foreign investors . MEPZ is located in Mactan island, about 14 kms from the Port of Cebu and 0.5 kms from the Mactan International Airport. This proximity to the transportation hubs give MEPZ easy access to the international market through both sea and air transport. In regard to the connection with Metro Manila, the biggest economic agglomeration in the nation, the Philippine Air Lines (PAL) services daily round-trips from Mactan Airport.

(b) Land use and standard factory

The total development area of MEPZ is 119.4 hectares, out of which industrial use accounts for 89.4 hectares; management buildings area, 3.9 hectares; and park and others use, 26.1 hectares.

One of MEPZ's features is a Standard Factory Building which is leased out on a floor basis. This benefits small- and medium-scale firms which cannot afford to construct their own factory building and do not require large areas for operation. MEPZ is presently offering two standard factory buildings, with a total floor area of 8,748 sq.m. on a 3,924 sq.m. of land. The standard factories are accommodating a variety of types of manufacturing industries. The standard factory building is not found outside MEPZ at present since it is usually set up in an industrial estate.

(c) Expansion plan

Because of its great success and the additional applicants, it is planned to expand MEPZ by 150 hectares to the land occupied by the Philippine Air Force which is adjacent to the existing MEPZ, in 1994. Seventeen potential investors have signified their interest to locate in the expanded MEPZ.

(d) Direct foreign investment (DFI)

The firms in MEPZ are mostly export-oriented and foreign-owned. Of all firms in MEPZ, Japanese firms are dominant in number accounting for 28 of 54, or 52% of the total The Japanese firms are mostly engaged in machinery and electronics parts which are labor-intensive in their production process.

Apparel and other finished products is dominant, accounting for 14 out of 54 firms, or 25.9% of the total, followed by electrical machinery, equipment and supplies and miscellaneous manufacturers, both accounting for 8 firms, or 14.8% of the total.

2.1.3 INDUSTRIAL LOCATION

(1) Location Distribution of the Manufacturing Sector

Figure 2.1.1 shows the existing industrial and commercial land use in Metro Cebu Area. And Figure 2.1.2 illustrates location of several existing factories on the East coast of Cebu. The names, business, and locatios of the firms are as shown in Table 2.1.5.

TABLE 2.1.5 SEVERAL EXISTING FIRMS

Firm	Location	Business/products
• Carmen Shemberg Seaweed Pland	Carmen (inland)	Seaweed manufacturing
• Cebu Mitsumi	Danao (inland)	Polyvaricon, FDD, mouse, magnetic head
• Towa industry	Liloan (inland)	Wood interior material and parts
• NEC Technologies	MEPZ (inland)	Transmission equipment component
• Universal Cement	Naga (inland)	Cement
• Trigon Shipyard	San Fernando	Shiprepair (2,000 - to 5,000-ton ship)

(2) Locations Problems

Sustained development of the industrial and service sectors in Cebu is constrained by the following:

- Lack of ready industrial land for business expansion
- No public assistance/subsidy for the private sector to acquire land for business purpose
- Lack of environmental control measures
- Lack of provision of infrastructure (transportation system, telecommunication, power, water). Thus increasing cost of production and services related to other competing countries and areas.
- No private sector cooperative projects by industrial sector such as industrial water pipeline system, industrial water treatment system, air pollution control system, etc.
- No joint projects by the private industrial and public sectors for indsutrial infrastructure development, e.g. ports, inland industrial land as well as waterfront area.
- Absence of comprehensive land use plan, resulting is lack of well-planned long-term industrialization strategies. Specifically, selection of individual industrial area locations including industrial estates might be done randomly with little attention paid to total development of the areas.
- Need to relocate some types of industries from relatively congested urban areas to more suitable areas. Industries which are better relocated to inland industrial estates include: Food Manufacturing, Metal working, Metal Forging and Casting, Plastic Injection Molding, Painting. Industries better located in waterfront industrial estates are Iron & Steel, Pulp & Paper, Food Manufacturing, Chemical, Wood and Lumber.

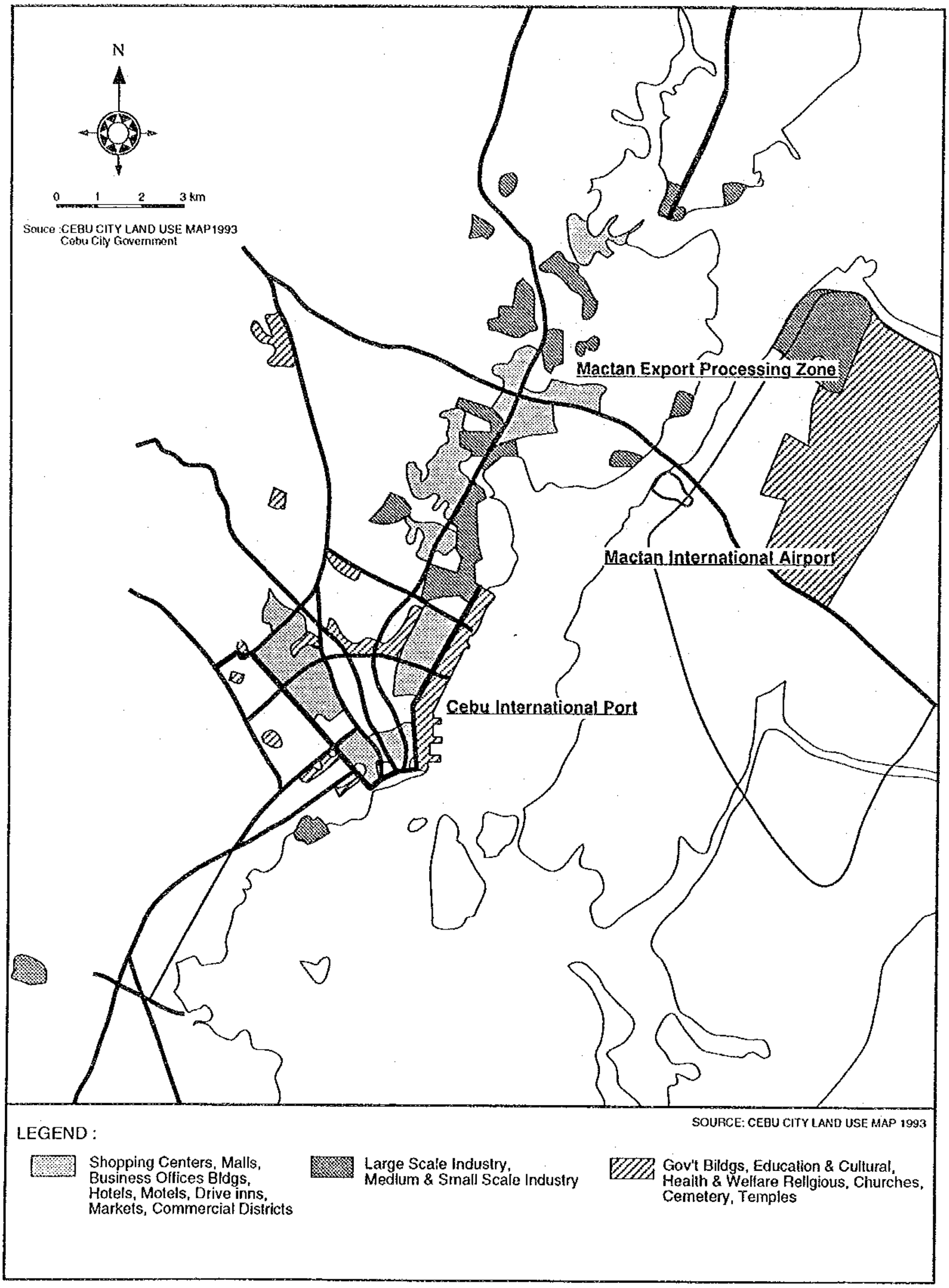
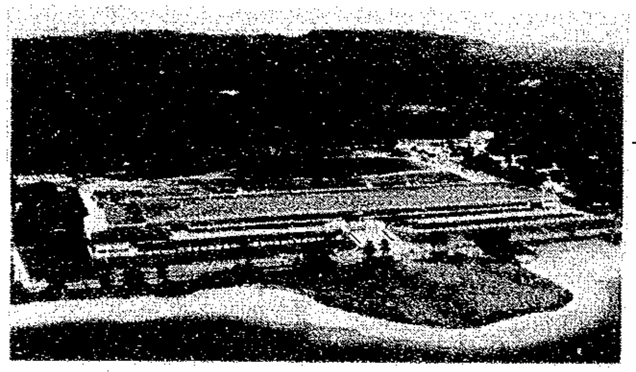
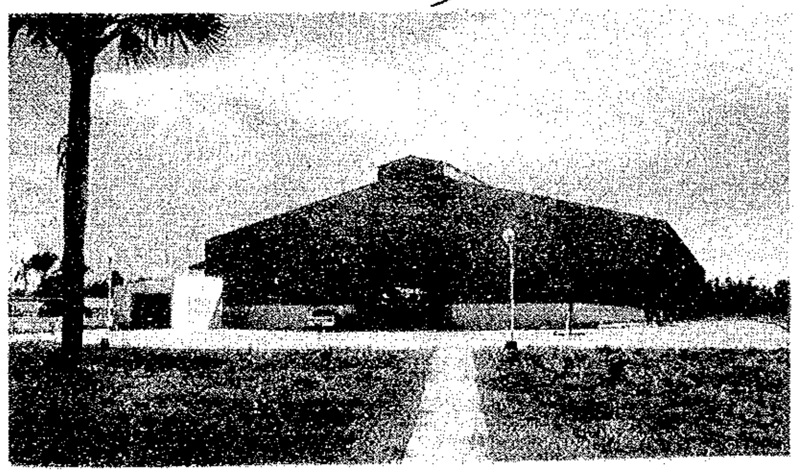


FIGURE 2.1.1 INDUSTRIAL LAND USE IN METRO CEBU

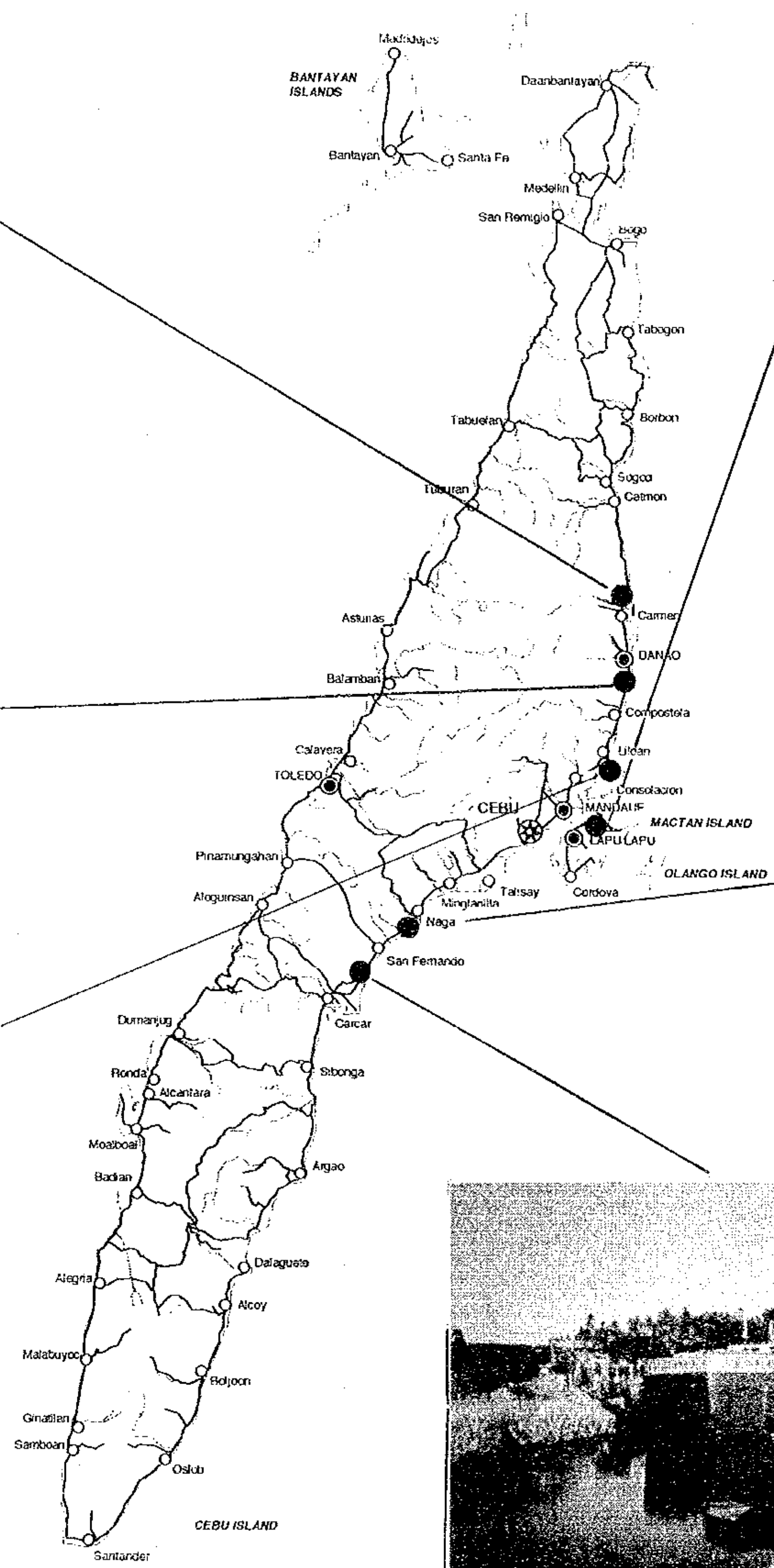
SHEMBERG SEAWEED PLANT
Location and Site: Carmen (Inland)
Established in 1993
Product : Seaweed Manufacturing



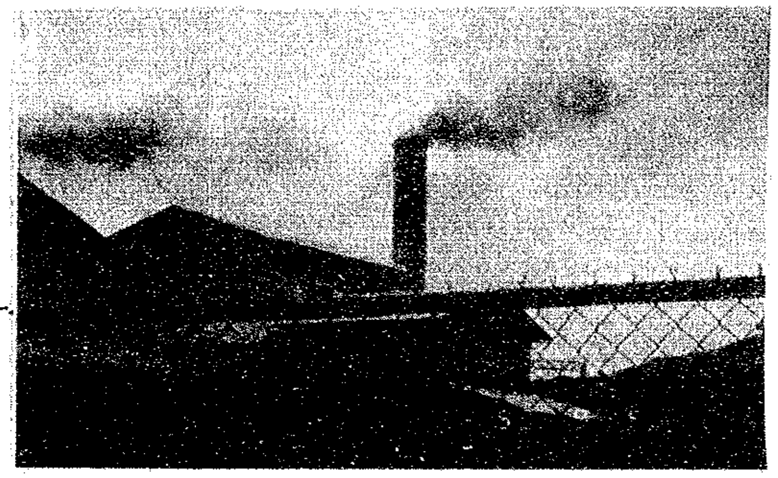
CEBU MITSUMI INC
Location : Danao City (Waterfront)
Established in 1989
Product : Polyvaricon,FDD, Magnetic head



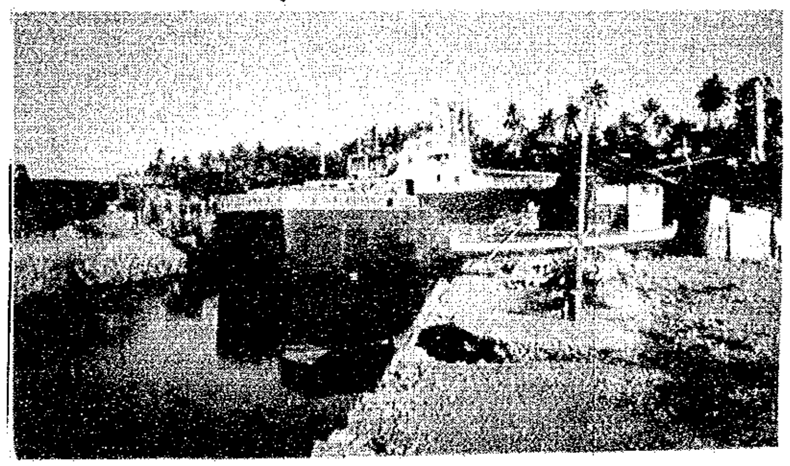
TOWA Industry Inc. Cebu
Location and Site : Liloan (Inland)
Established in 1994 4
Product: Wood Interior Material and Parts



NEC Technologies Philippines Inc.
Location and Site : Mandaue City (Inland)
Mactan Export Processing Zone
Established in 1990
Product : Transmission Equipment Component



APO Cement Corp Naga
Location and Site : Naga (Inland)
Product : Cement



Philippine Trigon Shipyard Corporation
Location : San Fernando (Waterfront)
Established in 1993
Product : 2000T-5000T ship repair

FIGURE 2.1.2 SEVERAL EXISTING FACTORIES

2.2 INDUSTRIAL AND SERVICES SECTOR SURVEY

A survey was conducted among enterprise leaders in leading and strategic sectors to get their opinions about the development potentials and constraints in the Cebu business environment. Most of the respondent-firms are located in the Metro Cebu area.

2.2.1 INDUSTRIAL SECTOR SURVEY

This survey covered 71 respondents representing the mining sector (4 firms), the Mactan Export Processing Zone (21 firms), local enterprises (28) and cottage/craft firms (18) (Table 2.2.1).

TABLE 2.2.1 PRINCIPAL PRODUCTS OF FIRMS

Industry Code	Product	No. of Firms
12	Food Products	14
15	Apparel	4
16	Wood Products	8
17	Furniture	8
20	Chemicals/Allied Products	1
21	Petroleum/Coal Products	1
22	Plastic Products	1
24	Handbags/Leather Goods	1
25	Ceramic Clay/Stone Products	4
26	Iron and Steel	4
27	Non-Ferrous Metal	3
28	Metal Work	2
30	Communication Eqpmt.	6
31	Transportation Eqpmt.	5
32	Precision Instruments	2
34	Miscellaneous Mftg.(incl. Costume Jewelry)	10
TOTAL		71

(1) Major Findings of Interview Survey

The following summarizes the major findings of the interview survey.

Interview item	Findings
• Five factors most important to business operations	- Quality of labor force, water and power supply, institutional incentives (taxes, tariffs, fees), transportation facilities, relatively competitive labor wage
• Five most important factors for location of current business	- Easy access to transportation arteries; proximity to raw materials, to the labor market, to urban business services, and to a substantial domestic market

- For MEPZ firms	- Availability of quality labor force, proximity to international airport, easier communication with workers in English, relatively advantageous land rent, safety and security
• Prefered locations for future business in Cebu, in ranking order	- Metro Cebu, Cebu north, Cebu South, Cebu Western Seaboard
• Five most important reasons for future location preferences	- Access to land/sea/air transport, power, and good infrastructure; strategic location/conducive and progressive work place; proximity to center of business operations and/or to owner's residence; proximity to raw material source; access to reasonably priced labor supply
• Five most important business incentives	- Local tax benefits (property and business taxes), financial incentives (lower-interest longer-term loans), national tax benefits (corporate income tax), authorized administrative services (as in epzs), reduction in transportation charges
• Five most important attractions in an industrial estate	
- Services:	- Government services to ease licensing, permission, and other procedures; advantageous financial support for operation, expansion, and purchase; marketing, advertising, and sales promotion services; industrial consulting services such as design, engineering, production and environmental management/instruction services for new technologies; labor recruitment services
- Facilities:	- Public transportation system, well-arranged land ready for construction, business/factory buildings, technical and vocational training center, convention/exhibit center to exploit international markets
- Infrastructure:	- Power, water, telecommunications, roads, seaports
• Common suggestions for Cebu's industrial development	- Disperse industrial development and establish industrial estates well-supported by infrastructure (including environment-related); better coordination/collaboration among bureaucrats, political leadership, business sector, work force.

(2) Vital Factors to Business Activities and Location

(a) Business operations

Firms were asked to choose the 5 most important factors in their business operations. These turned out to be factors relating to labor quality and cost, availability of utilities and transport infrastructure, and of institutional incentives (Table 2.2.2).

(b) Location factors

The most important location decision factors of respondent-firms are access to transportation arteries, particularly air and sea transport, and proximity to raw materials and to the labor market (Table 2.2.3).

MEPZ firms on the other hand, cited the availability of a quality labor force including the latter's ability to communicate in English, as their most important consideration in locating at MEPZ. Proximity to the Mactan International Airport was also considered important (Table 2.2.4).

Asked where they would locate if they were to expand or diversify their operations, most firms preferred to stay where they are now. There was some preference expressed also for Cebu North (Table 2.2.5).

The major reasons for their location preference related to the availability of good infrastructure. Most firms considered access to sea, land, and air transport as critical to this decision. Respondents which preferred the Cebu North cited that this area has good infrastructure, especially that the international port loading is located there. Those who considered the Cebu South cited Minglanilla as having existing infrastructure development plans (Table 2.2.6).

Equally important to firms is the strategic location vis-a-vis their future business plans. Other vital factors is the place's proximity to the center of the firm's operations and to the owner's residence.

(c) Business incentives

Firms considered tax and financial incentives as the most important business incentives (Table 2.2.7).

(d) Attractive industrial estate services and facilities

When respondents were asked what types of services should be provided by an industrial estate (IE) if one is developed, the top 3 responses are: presence of government services to ease licensing permits and procedures; advantageous financial support for operation, expansion and purchase; and marketing, advertising, and sales promotion services (Table 2.2.8).

(3) Environmental Management

Besides business directions of the firms, environmental consideration of the firms is also an important concern. The following summarizes the management form environment (Table 2.2.9 to 2.2.11).

- Waste Management: A significant 82% of firms reported practicing some form of industrial waste disposal and treatment. Waste management practices included burning, disposing directly to the sea, availing of MEPZ waste disposal system. selling the waste, recycling and storing in covered containers.

- Pollution Control: Some 62% of firms reported practicing some form of environmental policy for pollution control. This usually involved setting up of blowers/exhaust and dust collector systems, waste water treatment and water curtains, and setting up of pollution control units within their organizations.

(4) Suggestions on Cebu's Industrial Development

- Industrial Planning/ Location: Disperse this to the north, south, and western parts of Cebu. Evolve an IE plan so that Cebu's industrial development can take off, and ensure its successful implementation with the collaboration of a dedicated highly-disciplined business sector, political leadership, and society.

- Industrial Estates and EPZs: Industrial estates should have all the necessary facilities such as easy access to raw materials, stable power supply, adequate communication lines, piers, wider roads, housing for employees, sports facilities, a workers' cooperative. Even MEPZ facilities can be improved with good harbor and docking facilities.

- Infrastructure and Utilities: Improve transportation and telecommunications systems, ensure stable power supply and reliable water supply, asphalt all roads.

  For the MEPZ, improve all roads going to it. Add a second Mactan-Cebu bridge.

  Government should provide public and factory buildings at reasonable rates. As it is, rental rates for these are excessive.

- Policy Support for Business Development: Avoid monopolies and encourage small businesses. Government should provide financial assistance with low interest rates and longer repayment period. In planning industrial projects, the need by small business for additional capital should be considered.

  Government should help firms to export and create markets for their products. Government should support funding of market studies.

- Policy Support for Business Development (cnont'd): Government likewise should provide investor information especially for small and medium enterprises, as well as extend assistance in the technology aspect of operations.

  Local government should not impose excessive tax rates. Officials should use influence and power in a fair manner so as not to dampen the investment climate.

• Administrative Procedures	Reduce red tape and simplify export procedures. Decentralize all government functions (e.g. license to import) to the regional level. The Bureau of Customs should be open 24 hours and should also be lenient on bonded warehouse requirements.
• Employment	More employment opportunities should be given to out-of-school youths and skilled workers.
• Environment	Priority should be given to sewage and waste treatment. Adopt a waste treatment plan.

TABLE 2.2.2 VITAL FACTORS TO BUSINESS OPERATIONS

Factors	Frequency	%
1. Quality of Labor Force		
Skilled Labor	38	
Skilled Labor & Management	4	
Unspecified	10	
Total	52	73.24
2. Water and Power Supply	47	66.20
3. Institutional Incentives		
Taxes	22	
Tariffs and Fees	6	
Taxes, Tariffs and Fees	4	
Public Financial Support	2	
Others	2	
Unspecified	10	
Total	46	64.79
4. Transportation Facilities		
Sea Transportation	8	
Air Transportation	3	
Land Transportation	11	
Sea and Land Transportation	3	
Sea, Land, Air Transportation	2	
Unspecified	18	
Total	45	62.50
5. Relatively Competitive Labor Wage	32	45.07
6. Supporting Services Like Banks,Lawyers, Consultants, etc	30	42.25
7. Government Supports Based onStrong and Continuous Industrial Policies	24	33.80
8. Telecommunications	23	31.94
9. Land		
Sufficient Area of Land	7	
Inexpensive Land	7	
Land Ownership	2	
Unspecified	4	
Total	20	28.17
10. Security and Safety	13	18.06
11. International Market Information	11	15.28
12. Advanced Technological Information	9	12.50
13. Other		
Ability to Communicate in English	1	1.39

TABLE 2.2.3 FACTORS WHICH INFLUENCED CURRENT LOCATION CHOICE

Factors	Frequency	%
1. Easy Access to Transportation Arteries		
Domestic Sea Transport	6	
International Sea Transport	16	
International Air Transport	5	
Highway	3	
Domestic Sea Transport & Highway	1	
International Sea & Air Transport	8	
Domestic & International Air Transport	1	
Domestic & International Sea Transport and Highway	1	
Domestic Sea and Air Transport and International Air Transport	1	
Unspecified	16	
Total	58	80.56
2. Proximity to Raw Materials	43	59.72
3. Proximity to Labor Market	39	54.17
4. Proximity to Urban Business Services Such As Banks, Insurance Companies, etc.	35	48.61
5. Proximity to a Substantial Domestic Market	23	31.94
6. Proximity to Technology and Research Institute	5	6.94
7. Others		
Efficient Supply of Electricity	1	
Relative Ease of Import/Export	1	
Quiet and Not Crowded Place/Un-congested	2	
Telecommunications Like Fax and Phones	1	
Other Incentives Like Tax-Free Importation and Exportation	1	
Total	6	8.33

TABLE 2.2.4 FACTORS IMPORTANT TO INVESTING IN MEPZ

	Frequency	%
1. Availability of Quality Labor Force	13	56.52
2. Proximity to Mactan International Airport	10	43.48
3. Easier Communication with Workers in English	9	39.13
4. Relatively Advantageous Land Rent	7	30.43
5. Safety and Security	6	26.09
6. Cebu's Strategic Location for International Business Linkages	6	26.09
7. Comparatively Efficient Customs Administration	5	21.74
8. Availability of Sufficient Area of Land	5	21.74
9. Proximity to Cebu Port	5	21.74
10. Adequate Provision of Infrastructure	4	17.39
11. Local Government Support to a New Business	3	13.04
12. Others		
Duty Free Importation of Materials	1	4.35
Tax Incentives	1	4.35
13. Amenities (Natural & Artificial Environment) of Cebu and Mactan Islands	0	0.00

TABLE 2.2.5 AREAS PREFERRED FOR EXPANSION/DIVERSIFICATION

Area	Frequency	%
Same place as now	34	44.16
Cebu City	8	10.39
Mandaue City	7	9.09
Mactan Island	3	3.90
Cebu North	9	11.69
Cebu South	7	9.09
Cebu Western Seashore	1	1.30
Other Part of Cebu Island	0	0.00
Other Philippine Islands	4	5.19
Foreign Countries	4	5.19
Total	77	100.00

Note: multiple response

TABLE 2.2.6 REASONS FOR LOCATION PREFERENCE OF FUTURE BUSINESS

Reason	Frequency	%
Access to Land, Sea, Air Transport, Power/Good Infrastructure like Roads	10	14.49
Strategic Location/Conducive Work Place/ Good & SuitableLocation/Progressive Place	10	14.49
Convenience/Lives in Area/Near Center of Operation	7	10.14
Proximity to Raw Material Source	5	7.25
Access to Labor Market/Abundance of Labor/Competitive Wage Rate	4	5.80
Place Already Established as Business District	4	5.80
Market Potential/Presence of Customers	4	5.80
Incentives Given by Government within MEPZ, Foreign Investment Incentives/Tax Incentives	4	5.80
Availability of Land/Bigger Land Area/Affordable Land	4	5.80
Lessen Production Cost	1	1.45
Familiar with the Place	1	1.45
Good Environmental Situation	1	1.45
Near Subcontractor	1	1.45
Smaller Populace	1	1.45
To Serve the Workers	1	1.45
No Reason Given	11	15.94
Total	69	100.00

Note: multiple response

TABLE 2.2.7 MOST IMPORTANT BUSINESS INCENTIVES

	Frequency	%
1. Local Tax Benefits (property tax, business tax)	54	75.00
2. Financial Incentives (such as loans with lower interest rates and longer terms, etc.)	46	63.89
3. National Tax Benefits (corporate income tax)	46	63.89
4. Authorized Administrative Services as Provided in an Export Processing Zone	23	31.94
5. Reduction in Transportation Charges	14	19.44
6. On-the-job Training Subsidies	12	16.67
7. Others Transportation Availability	1	
Easy Procedures in Export/Import	1	
Tariff Exemptions	1	
Tax free Importation of Machines	1	
Reduction of Excise Tax	1	
Total	6	8.33

TABLE 2.2.8 SERVICES CONSIDERED IMPORTANT TO AN INDUSTRIAL ESTATES

	Frequency	%
1. Government Services to Ease Licensing, Permission and Other Procedures	68	94.44
2. Advantageous Financial Support for Operation, Expansion and Purchase	47	65.28
3. Marketing, Advertising and Sales Promotion Services	31	43.06
4. Industrial Consulting Services Such as Design, Engineering, Production Management and Environmental Management	23	31.94
5. Recruiting Services for Labor Force	19	26.39
6. Instruction Services for New Technologies	8	11.11
7. Intermediary Services for a Partner of a Joint Venture Subcontractor, etc.	7	9.72
8. Others		
One-Stop Shop Documentation Facilities	1	
Government Services to Ease Normal Operating Requirements (e.g., customs)	1	
Good Garbage Collection System	1	
Good Peace and Order Condition	1	
Total	4	5.56

TABLE 2.2.9 TREATMENT OF INDUSTRIAL WASTES

	Frequency	%
By Own Facility	31	52.54
By City or Municipality	4	6.78
By Subcontractor	5	8.47
Others	19	32.20
Total	59	100.00

TABLE 2.2.10 OTHER WAYS OF MANAGING INDUSTRIAL WASTE

	Frequency	%
Burning/Used as Firewood	8	36.37
Direct to the Sea	2	9.09
MEPZ Garbage Collector/MEPZ Waste Disposal System	4	18.18
Process Waste Exchange/Stored in Covered Containers	1	4.54
To Be Sold	2	9.09
Recycling	2	9.09
Own Facility and MEPZ Disposal System	2	9.09
Subcontractor and MEPZ Disposal System	1	4.54
Total	22	100.00

Note: Multiple response

TABLE 2.2.11 POLLUTION CONTROL PRACTICES OF FIRMS

Practice	No. of Firms	%
APCF Blowers/Exhaust/Air Duct/ Debuting System/Dust Collector	13	29.54
Waste Water Treatment/Water Curtains	11	25.00
Unspecified	9	20.45
Pollution Control for Required Processes/Compliance to NPCC Requirements/Operation of APSE/UTA Environmental Policy/Environmental Committee/Pollution Control Office for Solvent Disposal	5	11.36
Reforestation	3	6.82
Proper Disposal of Wastes/No Burning of Wastes	2	4.54
Waste Minimization Schemes	1	2.27
Total	44	100.00

2.2.2 SERVICE SECTOR SURVEY

A total of 43 firms reperesenting 31 various business lines of business in Metro Cebu were covered by the survey (Table 2.2.12). The firms were selected to cover the service sector businesses which have a direct relation to business operations including production process distribution processes.

(1) Vital Factors to Business Activities and Locations

(a) Business incentives

Among the six incentives mentioned in the survey questionnaire, three are considered by large number of respondent as most important to them. These are: financial incentives in the form of lower interest rates and longer-term loans; local tax benefits (property and business taxes); and national tax benefits (corporate income tax) (Table 2.2.13).

(b) Industrial estate services and facilities

Considered as the most attractive business services in an industrial estate are: advantageous financial support for operations, and government services to ease licensing and other official procedures. Instructional services for lower technology was on a lower-scale of importance (Table 2.2.13).

Most attractive facilities, on the other, were perceived to be a public transportation system, business buildings, technical/vocational training center, and convention/exhibit centers (Table 2.2.15).

Most important support infrastructure were seen to be water supply, roads, and telecommunications system (Table 2.2.16).

(c) Cebu's comparative advantage

Considered to be the key reasons for Cebu's comparative advantage are its strategic location for international business linkages, a supportive local government, a safe/secure working environment, and availability of a quality labor force.

(2) Suggestions on Cebu's industrial development

• Water, Power and Communication	Firms urged the government to ensure adequate supply of power and water in the future, as well as improved facilities for telecommunications. Telephone services facilities have to be expanded as it is essential for a growing business environment.
• Infrastructure	Improvement of roads and other infrastructure is vital. Widen existing roads, open more access roads. Construct more piers outside the city, and improve existing ones.
• Traffic Management	Along with road improvement, improve the traffic situation especially in business districts. Consider a mass transport system similar to the LRT in Manila to docongests thoroughfares. Ensure better coordination among government traffic management agencies, and better public information drive on traffic rules and regulations.
• Financial Incentives	Lower interest rates and longer-term loans are important business incentives. A transport cooperative requested assistance to avail of loans for drivers who wish to have their own passenger jeepneys.
• Government Support	This is needed particularly to lower real estate and business taxes. Government agencies should coordinate with each other to reduce bureaucratic red tape. Government officials should work together to serve their constituencies, minimize graft and corruption, and improve peace and order conditions.
• Rural Development	Develop rural areas along with the urban center. There is need for more infrastructure in the mountain areas to expand trade opportunities for products of rural families.
• Environment	Respond to the problems of pollution and deforestation. Massive tree-planting should be done to enhance water supply.
• Investment	Promote local and foreign investment, training programs for skilled workers, and improve marketing information and linkages.

TABLE 2.2.12 NUMBER OF RESPONDENTS BY INDUSTRIAL CLASSIFICATION

Type of services	Frequency
Shipbuilding, repairing and manufacturing of marine engines	3
Fuel stores (miscellaneous retail stores)	3
Manufacturing of general industry, machinery equipment	2
Motor passenger transport (common carrier)	2
Motor trucking (common carrier)	2
Farm, livestock and aquatic products (wholesale)	2
Motor vehicle stores (retail)	2
Retail trade, not elsewhere classified	2
Information services	2
Guard services	2
Inland water culture	1
General civil engineering and building works	1
Seafood processing	1
Manufactured ice	1
Printing, except mimeograph printing	1
Manufacturing of cement and its products	1
Manufacturing of aggregate and stone products	1
Powder metallurgy products, coating, engraving and heat treating except enameled iron ware	1
Manufacturing of costume jewelry, costume accessories, buttons and related products, except precious metals and jewelry	1
Electricity	1
Ocean transport	1
Coast cruise transport	1
Air transport	1
General merchandise	1
Machinery and equipment (wholesale)	1
Building materials (wholesale)	1
Miscellaneous wholesale trade	1
(Retail) confectionery, bakery stores	1
Life insurance companies	1
Real estate agents and brokers	1
Miscellaneous professional services	1
Total	43

TABLE 2.2.13 MOST IMPORTANT BUSINESS INCENTIVES

	Frequency	Percent
1. Financial incentives such as loan with a lower interest rate, longer term, etc.	38	88.4
2. Local tax benefits (property tax, business tax)	31	72.1
3. National tax benefits (corporate income tax)	23	54.5
4. Reduction in transportation charges	17	39.5
5. On-the-job training subsidies	6	13.9
6. Authorized administrative services as provided in an export processing zone	4	9.3
7. Others	1	2.3

TABLE 2.2.14 MOST ATTRACTIVE SERVICES IN AN INDUSTRIAL ESTATE

	Frequency	Percent
1. Advantageous financial support for operation, expansion & purchase	33	76.7
2. Government services to ease licensing, permission, and other official procedures	30	69.8
3. Instruction services for new technologies	12	27.9
4. Marketing, advertising, and sales promotion services	8	18.6
5. Recruiting services for labor force	6	13.9
6. Industrial consulting services such as design, engineering, production management, and environmental management	6	13.9
7. Intermediary services for a subcontractor, etc.	4	9.3

TABLE 2.2.15 MOST ATTRACTIVE FACILITIES IN AN INDUSTRIAL ESTATE

	Frequency	Percent
1. Public transportation system for commuters	28	65.1
2. Business building(s)	23	53.5
3. Technical & vocational training center	16	37.2
4. Convention and/or exhibit center to exploit international markets	13	30.2
5. Others (Warehouse)	1	2.3

TABLE 2.2.16 MOST IMPORTANT SUPPORT INFRASTRUCTURE IN AN INDUSTRIAL ESTATE

Infrastructure	Frequency	Percent
1. Power	35	81.4
2. Water	23	53.5
3. Road	19	44.2
4. Telecommunication system	18	41.9
5. Air transport	5	11.6
6. Sea port	4	9.3
7. Sewage	3	7.0
8. Others (Development of piers, roads as responsibility of PPA)	1	2.3

TABLE 2.2.17 PERCEPTIONS ON CEBU'S COMPARATIVE ADVANTAGE

	Frequency	Percent
1. Cebu's strategic location for international business linkages	34	79.1
2. Local government support to a new business	19	44.2
3. Safety and security	18	41.2
4. Availability of quality labor force	14	32.6
5. Existence of functional Cebu port	11	25.6
6. Existence of the Mactan International Airport	10	23.2
7. Relatively low land rent/land price	8	18.6
8. Availability of sufficient area of land	7	16.3
9. Amenities (natural and artificial environment) of Cebu	3	7.0
10. Adequate provision of infrastructure	3	7.0
11. Others	0	

2.3 POTENTIALS AND CONSTRAINTS FOR INDUSTRIALIZATION

2.3.1 POTENTIALS FOR INDUSTRIALZIATION OF CEBU

Cebu has potentials for industrialization. However, local investments alone are not sufficient to make Cebu's economy take off. Therefore, foreign investments are necessary to foster the growth of Cebu's economy.

Cebu has advantages in export-oriented industries which are mainly concentrated in MEPZ and some areas in Metro Cebu. Export-oriented industries acquired a special importance in Asia in the 1970s and 1980s. The locational advantage of export-oriented investment derives primarily from comparative advantage, in particular from a relative abundance of low-wage labor and from policy-induced advantages. In the case of the labor-intensive consumer goods which are produced because the foreign firms have marketing capability to sell the labor intensive products in developed countries, the foreign firms have the ownership advantage which initially were exclusively from the developed countries. In the case of manufactured components, the ownership advantages are derived from the foreign investors' ability to identify labor-intensive processes within the vertically integrated production structure which could be relocated to developing countries.

(1) Locational advantages of Cebu

Cebu offers a great deal of quality labor force at less expensive cost. This is one of the top reasons why so many foreign industries have been attracted to Cebu for their business. Domestic industries are mostly of labor-intensive operations. Foreign manufacturing firms are also operating the labor-intensive portion of the manufacturing process in Cebu. Cebuanos are hard-working, friendly, and English speaking. These are good characteristics of the Cebuanos as workers. In Cebu there are also highly esteemed universities, i.e. the University of San Carlos and the University of the Philippines from which many excellent students are graduated. Even such highly educated students have a hard time getting a good job because of the low demand for the highly educated. Therefore, the firms can hire the best of the best and enjoy quality labor.

Furthermore, Cebu offers investment incentives to foreign industries in MEPZ including (1) income tax holiday, four years for non-pioneer factories and six years for pioneer status factories, (2) import tax free, (3) export tax free, and (4) local tax free except real estate tax.

(2) Strategic Location in the International/Asian Market

Though Cebu enjoys a strategic location in the global economy, especially in the Asian market, it has not taken advantage of this locational strength yet. Today is the era of Asian economies led by Japan. The Pacific Rim will be the global economic core region in the near future towards the 21st. century. Cebu is located in the middle of the Pacific Rim compassed of Japan, Korea, Taiwan, Hong Kong, and ASEAN countries. The strong linkage of Cebu's economy with these Asian economies, Cebu's economy should grow. The locational advantages will attract direct investments in Cebu. The ultimate target of export-oriented direct investment is to induce local firms to emulate the export-oriented foreign firms, with the expectation that indigenous firms acquire an ownership advantage which will allow them to become foreign investors themselves.

(3) Promising Market Size

The domestic market of the Philippines is expected to grow as the total population will be 75 million in 2000. This sizable domestic market will bear a huge demand for manufacturing products as the income level rises.

(4) Urban and Resort Amenities

Cebu is famous for its excellent diving spots. It has many beach resorts. Besides, Cebu city has many urban services which are required for industrial and other economic activities. These features are attractions for some international conventions from neighboring nations, and also for international trade and industrial exhibitions. Moreover, the presence of excellent universities will promote research and development which can help the operation high-tech industries

2.3.2 CURRENT PROBLEMS AND CONSTRAINTS

(1) Lack of Industrial Infrastructure

Cebu is short of physical infrastructure, such as road network, telecommunications, power, water, etc. The poor infrastructure will jeopardize Cebu's industrialization efforts.

(2) Limited Industrial Linkage with International Markets

Recently, Cebu has attracted many investors as evidenced by BOI records, but the accumulation of manufacturing activities has not reached the level at which the industries can enjoy the economy of agglomeration. Moreover, even though MEPZ has attracted direct foreign investment, the local manufacturing sector has not yet established links with international markets. The Cebu manufacturing sector has not yet become a part of the international division of labor in both vertical and horizontal ways.

(3) Limited Availability of Industrial Basic Materials in the Domestic Market

Industrial integration and robust industrialization need basic materials such as iron, steel, ceramic, plastic, etc. However, the Philippines does not produce such basic industrial materials domestically. These materials must be imported. Therefore, to make the best use of the natural endowment of the Philippines, it is necessary to produce basic materials domestically to boost the economic activities.

(4) Locational Problem

The location of firms may cause some problems, especially in the urban areas. Most of the manufacturing and commercial activities are concentrated in Metro Cebu because of the presence of urban services in this area. This causes spatial congestion and traffic jam in Metro Cebu, especially in Cebu city. Industries engaged in the manufacturer of wood & lumber, processed and canned foods, rubber and plastic product tend to be located in downtown Cebu, not in the outskirts.

Because of the limited land area, most factories cannot expand their operations to adjacent area. Large industries and small- and medium-scale industries have a hard time getting new lands to expand their operation.

The factories located in Cebu from time to time suffer from the shortage of water supply, the lack of a smooth and integrated transportation system, power outages, telecommunication problems, etc. Cebu does not have the infrastructure supportive to industrial activities.

(5) Relatively Small Domestic Market

Cebu has not become a market big enough to spark its economy although the market is expected to grow in the future. Cebu is the center of economic activities not only in Region 7 but also in the neighboring islands including Mindanao. At this moment, the income level of the people in Visayas and Mindanao are not high enough to cause rapid economic development in these areas. The growth of these regions will, thus, depend to a certain extent on the economy of Cebu through interrelated economic activities.

Further, Cebu's economy is at present dependent on the vital economic activities in Metro Cebu area which offers industrial and service activities. On the other hand, other areas in of Cebu are still depressed in terms of economic development and serve only a limited market.

2.4 INDUSTRIAL DEVELOPMENT DIRECTION IN CEBU

Cebu has been attracting investors, both domestic and foreign, trying to become a leading area of the Philippine economy. To catch up with the other ASEAN countries, Cebu has to play an important role. Cebu should make a huge effort to enlarge a "pie" which is supposed to be shared equally among people including the poor. Industrialization is necessary for the development of Cebu. In this section, the Study Team proposes the direction of industrial development from a perspective of smaller areas within Cebu. Development policies and measures are also proposed.

2.4.1 BASIC CONCEPT OF INDUSTRIAL DEVELOPMENT IN CEBU

(1) Development Area Unit

Based on the potential for industrial development, the concept of industrial development of Cebu includes two types of areas: Leading Urban Area (Central Cebu) and Peripheral Rural Areas (North and South Cebu). Central Cebu is a highly populated urban area while the other areas are basically rural. Each area has to have a blueprint for its future development, which must be unique but integrated with the other areas'.

The diagram below illustrates a spatial image of Cebu. The Study Team imagines Cebu island as a jet plane ready to fly to symbolize Cebu's economic take-off, with Central Cebu as the nose of the plane with a jet engine, and the other two areas as wings to support the take-off.

(2) Industrialization Potential of Each Area

(a) Central Cebu: urban area with agglomeration

Central Cebu including Metro Cebu is the center not only of Cebu but of the Visayas region for economic, cultural, social, and various governmental activities. It also functions as the transportation hub of every mode of transportation – land, sea and air. With economies of agglomeration and scale, Central Cebu will serve as the vehicle to pull up the provincial economy, and further the region's, and the other neighboring islands'.

(b) North and South Cebu: rural area

Presently, both North Cebu and South Cebu are far from being urbanized and industrialized. Their economic activities are completely agriculture-based and manufacturing and services industries generally serve only people in local towns and villages.

With regard to potential land for industrial development, these two areas have enough land for new development projects. It is imperative that such development projects have to be environment-friendly to protect the natural resources. Also, there are still many potential areas for tourism development along the coast.

2.4.2 INDUSTRIAL DEVELOPMENT POLICIES

(1) Development Policies

Considering the potentials and constraints, the Study Team has at this stage come up with the following development policies to solve the obstacles to development and encourage industrialization:

- Pursuance of Decentralization Policy: with a deliberate industrial location policy;
- Further promotion of incentives to accommodate a wide variety of direct foreign investment; and
- Emphasis and priority on provision of sufficient industrial infrastructure such as transportation, power, water, and telecommunication.

(2) Industrial Location Policy: Concentration to Decentralization

At the earlier stage of industrial development, some concentration of economic activities in Central Cebu is unavoidable because it is natural for enterprises to start their business at a convenient place where they can be provided with necessary infrastructure. Gradually, the industries can be located outside Central Cebu when such areas can provide infrastructure.

For future development, decentralization is a vital issue. The discrepancy of income and living standards between urban and rural areas has been always an issue. Average income per capita of rural areas of Cebu should be improved to the level of 70-80% of the urban from its present level of one-half.

Since there are no economic data available on industrial establishment, employment, and output values for each municipality in Cebu, the Study Team made some rough assumptions regarding the distribution of economic activities in Cebu as described below. As the major portion of economic activities is concentrated in Central Cebu, especially in Metro Cebu, it is assumed that Central Cebu has around 75-80% of the total economic activities. There is a similar situation in the nation when the nation is grouped into three regions, i.e. Luzon, Visayas, and Mindanao. With regard to the numbers of establishment, employment, and output of large manufacturing enterprises, Luzon with Metro Manila as center, has about 75% of share to the national total. Visayas and Mindanao contribute 12 and 10% of the national total, respectively. In the Philippines, the Metro Manila is economically dominant; in Cebu, a similar picture on a smaller scale can be seen. Central Cebu including Metro Cebu is the major contributor to the Cebu economy.

(3) Decentralization Target

By decentralizing economic activities from Central Cebu to North and South Cebu, the Study Team hopes that economic benefits will be distributed to North and South Cebu areas at a growth rate of 10% per decade.

TABLE 2.4.1 PROSPECTIVE DISTRIBUTION OF ECONOMIC ACTIVITIES IN CEBU

Year	Central Cebu	North & South Cebu
1990	80%	20%
2000	70%	30%
2010	60%	40%

A balanced growth is required so that industrial development will not be concentrated excessively in the Central Cebu area. To achieve balanced and decentralized development, industrial estates and the like should be promoted with a target distribution ratio as shown in the table below. This may include the relocation of existing industries in Central Cebu to North and South Cebu areas.

TABLE 2.4.2 FUTURE DISTRIBUTION OF INDUSTRIES

	Central Cebu	North & South Cebu
Start-up stage	60%	40%
Development Stage	50%	50%

(4) Industrial Location Zoning Plan

In line with decentralization of industries, the Study Team has come up with the following industrial locational zoning plan.

- **Development Control Zone** — Metro Cebu area is already built-up and overcongested in terms of socio-economic activities. Thus, development in this area should be controlled to maintain the expected urban function. Such area may be within a 20km radius from the center of Cebu city.

- **Development Promotion Zone** — The area immediately outside the Development control zone is a frontier of development. This area is perhaps from 20 to 40kms from Cebu city and will include the cities and municipalities of Carmen, Danao, Compostela, Balamban, Toledo, Carcar, San Fernando, Naga and so forth. This zone has high potential for industrial development and must be the leading area for new industrial location.

- **Development Zone** — This zone is a strategic area to lead in the development of the rural economy and complement the central area's economy. It has development potential though this potential is smaller than the development promotion zone from the viewpoint of market accessibility, infrastructure provision and so forth. There will be two development zones, one each in the northern and southern parts of Cebu. Bogo in the north and the area near Dumanjug in the south have potential to become rural economic cores and candidates for center areas of the development zones.

- **Regional Industrial Center** — The regional industrial center is determined by RDC for long-term industrial development and will be the center of socio-economic activities in the region. It includes most of the central part of Cebu Islan and covers the development control zone (built-up area), and the development promotion area (frontier area). As the areas are developed, the center area will be expanded and have more influence on the neighboring areas.

2.4.3 SIGNIFICANCE OF INDUSTRIAL ESTATE DEVELOPMENT

Nations and regions go through different processes of industrialization and urbanization, and the development policies for each should differ accordingly. For example, if an Industrial estate is developed without paying attention to the infrastructure, specific urban functions needed, and so on, it will take a long time to persuade industries to move into the estate, or factories may never be established there. It is, therefore, extremely important to take the current level of industrialization and future industrial development trends into consideration. In other words, the specific needs of the industry which is the target of the industrial estate development must be clearly understood. This fact suggests the importance of providing industrial estates suited to the degree of regional development, and to do so, it is necessary to propose plans accordingly.

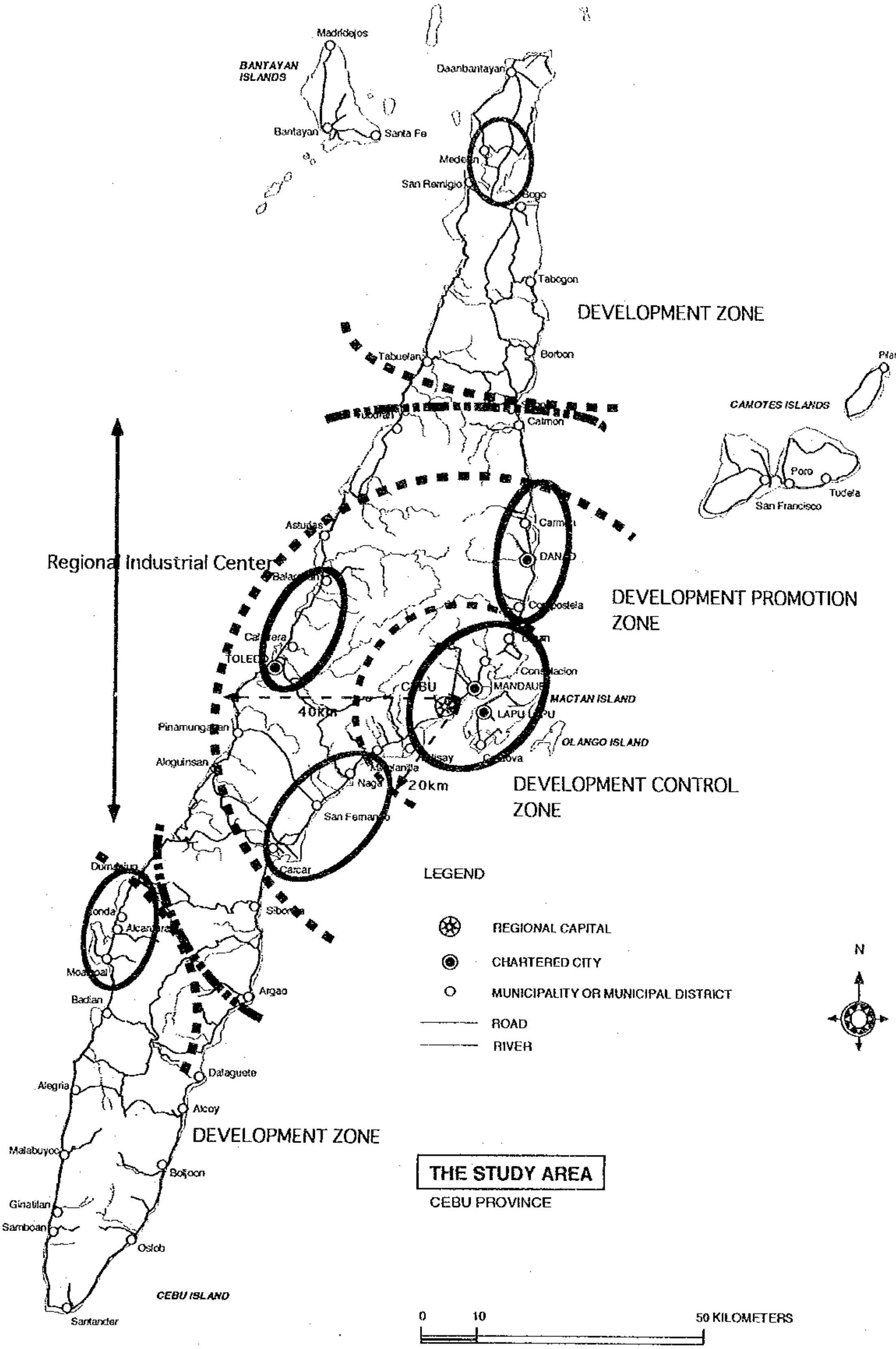


FIGURE 2.4.1 INDUSTRIAL LOCATION ZONING PLAN

Industrial estates in an outlying region attract industry while those in and around large cities where industry has already been concentrated play a major role in solving problems such as the mixing of residential and industrial districts and reducing disadvantages of concentration. Industrial estates developed by moving and grouping factories increase the efficiency of infrastructure investment. Companies moving into an industrial estate find it relatively easy to meet the requirements to construct a factory and obtain access to public utilities. The developers benefit because when working to attract corporations to the estate, they can present specific products which meet specific needs. It is, therefore, necessary to develop an industrial estate with this in mind in order to efficiently promote industrial development.

2.4.4 TYPES OF INDUSTRIAL ESTATES

Basic approaches toward industrial estate development differ widely depending on the purpose of the industrial estate development and geographical conditions in the target region. If, for example, the plan calls for the introduction of a basic raw material-type industry, a waterfront location convenient for the receiving and shipping bulk raw materials should be selected. But if it is designed to increase employment, conventional industrial estate should be constructed, and labor-intensive industries established there. If a research and development type industrial estate is envisioned, it should be built in the suburbs of a large city where it can work closely with industry, universities, and government agencies.

Industrial estates are categorized as follows:

(1) Industrial Estates (IEs)

- **In-land IEs**

- **General IEs** Industrial Estates equipped with the minimum degree of facilities required for industrial activity, namely roads, industrial water, and electricity, etc., are occupied primarily by factories labor-intensive industries that perform simple production. More recently they have begun to be transformed into locations for high-tech industries.

- Waterfront IEs

(2) Functionally Specialized Industrial Estates

- Research and Science Parks: While these industrial estates are suited for R&D facilities and are equipped with various types of support functions required for research and development. They also provide the environment and recreational facilities the researchers need to relax and refresh themselves.

- Software Park: These parks attract business establishments that develop computer software. They feature development support facilities required by software developers, and an environment suited for creative activities.

• Medium- and Small-scale Enterprise Industrial Estates	These are industrial parks planned to gather medium- and small-scale factories at single locations in order to rationalize their management and promote cooperative ventures. They also encourage factory relocation as an environmental protection measure, and permit the joint use of processing facilities.
• FTZ (Free Trade Zones)	There are varieties of FTZ serving various functions. They are broadly categorized as industrialized country and developing country types.
- EPZ (Developing Country Type)	An EPZ is occupied by factories that import raw materials, process them to manufacture products, and ship all these products to overseas customers. Basically, all goods imported and exported from these zones are duty-free. Examples: Taiwan, Korea, the Philippines, Thailand, Indonesia, and other Asian nations.
- FTZ (Industrialized Country Type)	Most of the zone occupants are involved in distributing and importing goods (for domestic markets), while a few of them also process goods for export. Examples: Hong Kong, Singapore, U.S., etc.

The industrial estates developments in Korea, Taiwan, Japan, and Philippines are illustrated in Appendix to this chapter.

2.5 INDUSTRIAL DEVELOPMENT PROJECTS

The Study Team proposes strategic industrial development projects by area, as shown in Table 2.5.1.

Location of general industrial estates and a science park model is shown in Figure 2.5.1. This figure shows two main items, namely, location factors and kind of activity. These items are related to each other, and each item means as follows:

• Location Factor	- Distance from center of city core - Road network and accessibility
• Kind of activity and its location site	- BC: Business Center located in City core near Public offices - Industrial Estate located in Housing zone - Skills Training Center located in Housing zone - General Industrial Estate located in Manufacturing zone - Academy and Science Park located in Manufacturing Zone

TABLE 2.5.1 PROPOSED INDUSTRIAL DEVELOPMENT PROJECTS

Item	Central Cebu (Leading area)	North and South Cebu (Supporting areas)
Major industrial projects	• Development or further promotion of EPZ • Relocation of factories from downtown • Redevelopment of waterfront area • Construction of general industrial estates	• Establishment of general industrial estates • Establishment of industrial estates for small- and medium-scale industries
Technology and R&D Base	• Research parks and academic institutes	• Development of R & D institutes of local resource use
Incentives & facilities to be provided	• Further incentive for private investments • Investment on strategic industries • Provision of infrastructure	• Further incentives for private investments • Provision of necessary infrastructure • Promotion of governmental projects

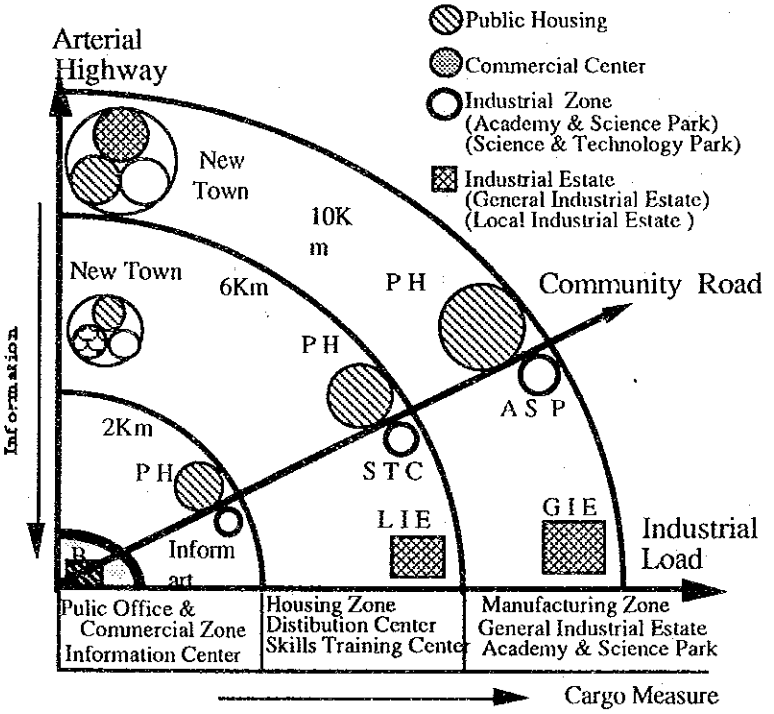


FIGURE 2.5.1 CONCEPTUAL DIAGRAM OF LOCATION OF GENERAL INDUSTRIAL ESTATES AND SCIENCE PARK

2.6 INDUSTRIAL ESTATE LOCATION SITES IN CEBU

2.6.1 OUTLINE OF SITE SELECTION STEPS

The Study Team is convinced that development of an industrial estate is a most important and necessary project for Cebu's economic development. We are proposing development of more than 1,000 ha of industrial estates within 20 years. The following section illustrates the procedures followed by the Study Team in the selecting of the proposed IE sites in Cebu.

The following is the steps of site selection:

1. GDP Estimation:	Cebu Province's GRDP has been estimated based on the Region 7's
2. Industrial Output of Cebu:	Estimated based on Japan's GDP/output ratio (0.52)
3. Manufacturing component:	Components of industry have been set based on Japan's experience in agro-based regional economy
4. Space demand of Cebu industries:	1,354 hecteres (1990-2010)
5. Share of District:	Potential Evaluation of industrial location condition (land spce, population, etc.)
6. Evaluation of industrial location condition:	Market, economic volume, labor force, environment, infrastructure, etc.
7. Total Development Area:	

2.6.2 PROCEDURES IN SITE SELECTION OF INDUSTRIAL ESTATES IN CEBU

(1) Objectives

1. The main objectives of this study is to find out the candidate locations suitable for industrial estates/parks in Cebu Province in line with the future development scenario.

2. Based on the macro-framework, the area of the land required for manufacturing use will be required at a total of 1,300 to 1,600 hectares in the year 2010, out of which 1,000 hectares are assumed to be developed in a planned manner for industrial estates/parks.

Land area for industrial location in 2010:	1,600 ha
Industrial Estates/Parks:	1,000 ha.

3. Geographical, spatial and physical conditions are first taken into account and used as initial screening factors among the location criteria.

4. The suitable locations are to be assessed in each district. On-going site studies such as the Cebu South Reclamation Area are not evaluated in this study.

5. The industrial sites selected in this study are only candidate sites. Recommendations for actual development are subject to further findings on desirability from the social and policy points of view.

(2) Guidelines for Site Selection

1. The feasible size of area per one industrial estate/park is considered to be more or less 200 hectares. The industrial estate/park with more than 200 hectares is considered for development as a comprehensive industrial center and/or a new town, while the one with less than 200 hectares, an industrial location site at the local level.

2. Industrial development sites to accommodate new industrial locations are sought. If a site is located near urbanized (built-up) areas and/or is subject to being urbanized in the near future, it needs an overall urban development plan. The planwill consier housing, commercial and industrial use requirementsof the total area; the industrial area in the site is considered to be only one element of the urban area.

3. The following are the main factors taken into account in the site selection. (The possibility of the land use conversion as well as localized social issues and political factors were not yet considered in this study, although these should be seriously considered in the local level evaluations of sites.

   - Present land use
   - Geographical conditions and land configuration
   - Infrastructure, transportation network and accessibility to major markets
   - Existing, on-going and/or planned industrial activities
   - Urban centers to provide supporting services and availability of labor force
   - Regional distribution of industrial locations
   - Planning strategies

(3) Findings

Six candidate sites assessed to be suitable for development of industrial estates/parks with more or less 200 hectares were selected. The following are the notable findings obtained through this study.

- A piecemeal manner of land use pattern generally prevails over the Island. Any sizable land with the area of 200 hectares and without inhabitants can hardly be found, except for areas used for sugar cane plantation and mining. It can be generally said that those areas being used for sugar plantation and mining are potential areas for sizable industrial development if the land use conversion is possible.

- Areas alongside most major roads are already occupied by houses and other buildings, so it is difficult to find suitable sites for industrial locations in these areas. Therefore, new industrial sites have to be located in areas one block away from the main roads.

(4) Infrastructure Development

The following considerations should be taken for development and/or improvement of infrastructure to support the industrial location:

1. A functional road network system: separation of urban streets and industrial trunk roads

2. Improvement and/or structural enforcement of "bridges" on trunk roads which were designed with a limited (less than 15 tons) weight criterion

3. Establishment of "an efficient cargo transport system" in association with port and harbor functions

4. Necessity of overall location planning of urban facilities, market places and industrial activity areas

(5) Work Items for Further Study

1. Collection of Information Related to Land Issues:
   - ownership
   - land use and present productivity
   - possibility of land conversion, etc.

2. Environmental measures to be applied
   - drainage systems
   - pollution control measures to apply to individual factories
   - collective sewerage systems

3. A road network system to separate roads serving daily activities from trunk roads serving industrial activities, especially in Metro Cebu and major cities, taking into account new industrial locations.

4. Policies for "Promotion and Control" of individual industrial locations which would not be accommodated in the planned industrial estates/parks, including policies for "environmental measures."

(6) Industrial Areas Other Than Planned Industrial Estate

This survey focuses on the site selection of industrial estates with medium-scale of more or less 200 hectares, based on a planning concept that new industrial establishments should be induced into as many planned industrial estates as possible, in order to avoid environmental problems as well as disorderly land use. However, individual locations in areas other than the planned estates cannot be restricted in practice in light of various attributes attached to land such as land value, land market and land use flexibility. For these individual locations, prudent policies and guidance should be prepared not to cause difficulties in environmental and land use controls. A recommended policy is to designate the zoning of industrial areas where environmental standards can be enforced and monitored.

2.6.3 PROPOSED SITE LOCATIONS OF INDUSTRIAL ESTATES

(1) Location of Proposed Industrial Estates in Cebu

Figure 2.6.1 shows locations of twelve industrial estates the Study Team proposed. Table 2.6.1 summarizes characteristics of proposed sites as to development direction, potential industries, existing conditions, and problems to be solved.

(2) Supporting Projects

Table 2.6.1 summarizes the proposed projects to support several specific industry sectors.

TABLE 2.6.1 PROJECTS TO SUPPORT MANUFACTURING SECTOR

Industries	Target	Projects
Industrial material producers		Better procurement system of materials at industrial estates
High-tech material (Ceramic, plastic, etc.)	Technological development of high-tech materials	Development of R &D institutes
Manufacturing in general	Supporting subcontracts of small-scale industries with large or foreign industries	Industrial estate for small & medium-scale industries to support small enterprises
Export goods producers	Attraction of export oriented foreign investors	Construction of EPZ, Convention center, international fair and exhibition center to attract more foreign investors
Agro-based manufacturing	Providing better transportation and storage system	Physical distribution center, wholesale market
Marine sports goods (manufacturing & tourism)	Inventing new products relating to marine sport in Cebu	Holding events, integrating manufacturing and tourism

(3) Promotion of Small- and Medium-scale (or Local enterprise) Industries

Small- and medium-scale industries have played an important role in the economic development process in countries like Japan, Taiwan, and Korea. They support large-scale industries and have complementary economic activities. The Study Team proposes the following projects to support small- and medium-scale industries.

- Standard factory

- Industrial estates for small- and medium-scale industries
- Business incubator
- Training programs for computer-related technology (hardware and software)
- Research & Development Center
- High Technology Center

2.6.4 FACILITIES DEVELOPMENT

For the Cebu economy to take off, provision of infrastructure is essential. Cebu still lacks some other facilities which are required for industrial activities. To fill this gap, the following facilities are proposed for development.

- Development of sizable industrial estates (parks), including the second phase EPZ, to accommodate potential industries;

- Establishment of local small- and medium-scale industries, by providing industrial estates with sufficient infrastructure and institutional support services;

- Encouragement of industries' export activities and promotion of a "Quality Upgrading Cebu Brand" program;

- Promotion of industrial incubators and sub-contracting arrangements between local firms and foreign industries to make the industrialization process more locally beneficial;

- Development of "High-Tech Park" for fostering R & D activities and high-technology based industries;

- Producing intermediate technicians and engineers by strengthening/developing technical schools; and

- Promotion of a "Technology Network Program" with different types of industries/businesses to deepen the industrialization process in the Cebu economy.

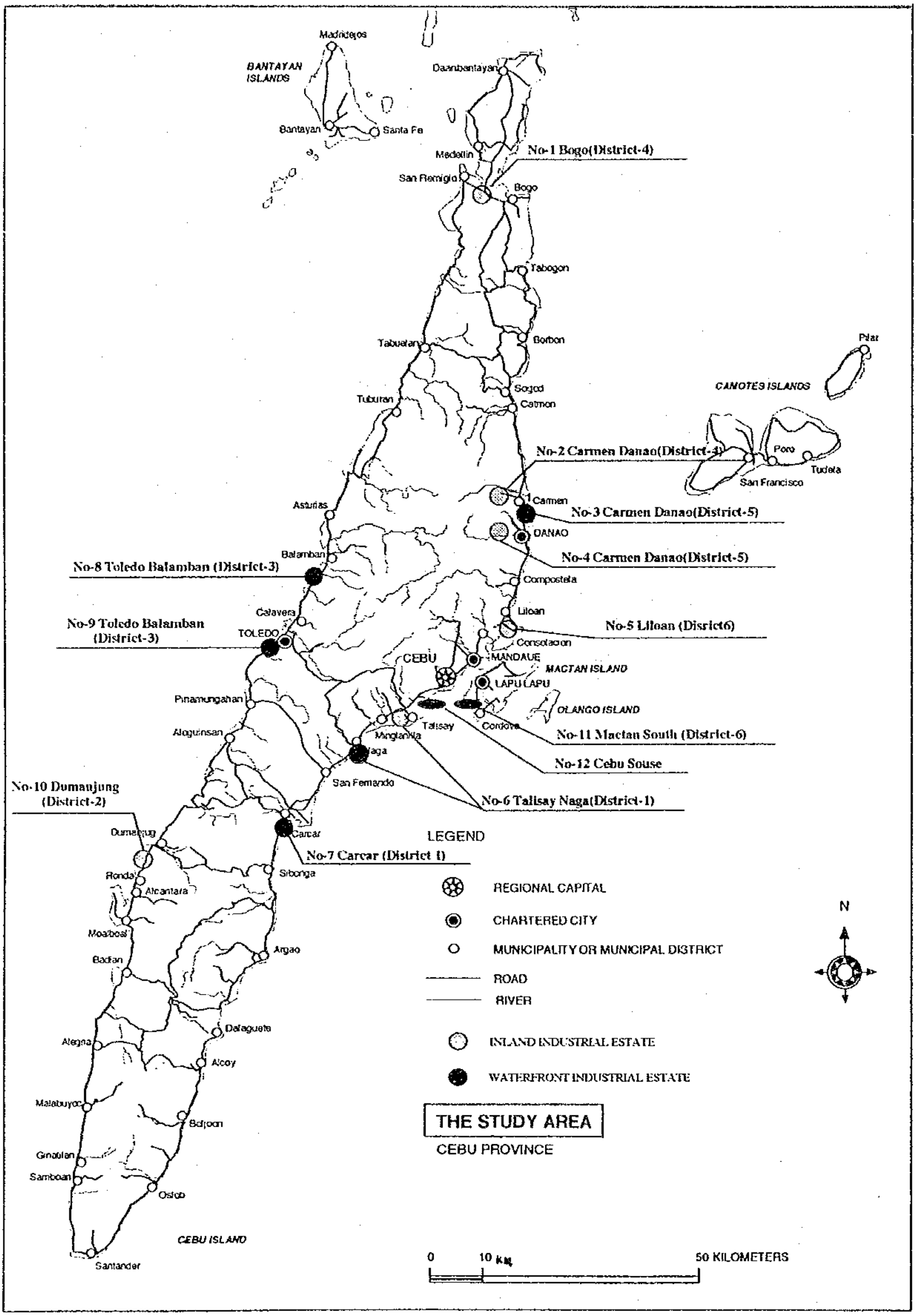


FIGURE 2.6.1 INDUSTIRAL ESTATES SITE SELECTION (PHASE I)

TABLE 2.6.2 SUMMARY TABLE OF SITE SELECTION

Location	District	Proposed Area (ha)	Development Direction/Target	Desired/Potential Industries	Existing Conditions	Problems to Be Solved
No.1 Bogo	4	150	Cebu Northern Industrial Center for local industrial development	• Agro-based industries • Steel fabricate • Machinery parts • Light industries	• Accessibility to road network • Flat land (Sugar cane farm land) • Labor force	• Marketing
No.2 Carmen-Danao	5	150	Metro Cebu North Industrial Core	• Marine-resource and agro-processing • Food processing • Machinery parts • Electronic components • Light industries	• Market proximity (40km to/from Cebu Center) • Flat land • Availability of infrastructure and utilities (water, electric power, unpaved access roads)	• Land use conversion • Access roads pavement • Environmental control (water treatment)
No.3 Carmen-Danao	5	200	Industrial and urban center of the northern part of Metro Cebu	• Marine-resource and agro-based industries • Repair yards (small ship) • Machinery and machine parts	• Market proximity (35-40km) • Possibility for power and water supply	• Environmental control • Land reclamation • Security of water supply • Cause way
No.4 Carmen-Danao	5	100	Industrial and urban center of the northern part of Metro Cebu	• Agro-based industries • Machinery • Electronic components	• Market proximity (35-40km) • Availability of water • Possibility of power supply	• Possibility of land use conversion • Security of water supply • Land acquisition
No.5 Liloan	6	100	Urban Industrial Estate/park	• Machinery • Electronic components • Metal machinery • Industrial materials • Distribution-related services	• Market proximity (10-15km) • Possibility of power supply • Existence of a wharf in Liloan • Mactan Bridge No.2	• Possibility of land use conversion • Land acquisition • Development of road network system

TABLE 2.6.2 SUMMARY TABLE OF SITE SELECTION (CONT'D)

Location	District	Proposed Area (ha)	Development Direction/ Target	Desired/Potential Industries	Existing Conditions	Problems to Be Solved
No.6 Talisay-Naga	1	200	Development for the relocation of industrial and urban facilities	• Sundry products • Apparel • Metal products • Machinery • Woodworking • Machinery • Electronic components	• Flat land • Available water supply • Available road access • Possible power supply	• Road network system • Possibility of land acquisition • Possibility of land reclamation • Construction of Cause way • Market renewal
No.7 Carcar	5	300	Metro Cebu South Industrial Core	• Marine-resource industries • Secondary cement processing • Metal machinery • Transportation machinery assembly • Machinery • Electronic components • Distribution industries	• Level land • Paddy field • Available water from Pondal River • Available access road	• Environ-mental control • Possibility of land use conversion • Availability of power supply • Road network system
No.8 Toledo-Balamban	3	150	Western Corridor Industrial Core	• Resource-based (Steel and steel materials) • Cement production • Construction materials • Agro-processing • Machinery • Light industries	• Level land • Farmland • Possible power supply	• Water supply • Comprehens-ive develop-ment plan • Possibility of land use conversion • Improvement of road network to Metro Cebu
No.9 Toledo-Balamban	3	200	Western Corridor Urban Core	• Resource-based processing (oil refinery, steel mill, steel metal, new basic material processing) • Cement production • Construction materials • Agro-based industries • Machinery • Light industries	• Low ground level • Farmland • Another potential area nearby • Possible water supply from Paku River • Possible power supply	• New industrial truck roads • Comprehen-sive urban development • Ferry linkage with Negros • Effective land use plan
No.10 Dumanjug	2	100	South Cebu Industrial Core	• Local resources-based industries	• Flat land	• Access to market • Road network

2.7 PROPOSED PROJECTS AND INDUSTRIAL DEVELOPMENT

The Study Team has recommended specific sites for industrial estate development. In addition, the Team proposed the following development projects for industrialization of Cebu. Details of these projects are described in Vol. 3 "A Profile of Proposed Projects and Programs."

Project code	Project Title
IN01:	Institutional Building of Long-term Industrial Development
IN02:	Expansion Project of the Mactan Export Processing Zone
IN03:	Industrial Estates Development Projects in Cebu Southern and Northern Corridors – Toledo-Balamban Area and Potential Rural Areas
IN04:	Cebu Local Economy Acceleration Program (LEAP-Cebu)
IN05:	Human Resource and Technology Network Program
IN06:	Establishment of "Cebu Economic Development Corporation"
IN07:	Infrastructure Development Project Supporting Industrial Location in Toledo-Balamban Area
IN08:	"Cebu World Trade and Training Center" Project – Phase I
IN09:	Industrial Estates Development Projects in Potential Rural areas
IN10:	Western Sea-Board Development (Toledo-Balamban) Project
IN11:	Extension of Human Resource and Technology Network Program (HRTNP)
IN12:	Expansion of "Cebu World Trade and Training Center" Project - Phase II
IN13:	Research Institutes Complex Development Project (Cebu Research Park City)

Table 2.7.1 shows development related areas which are closely linked with each proposed project. In the table, "##" indicates major linkages and "#" minor ones. Related areas listed in the table are regional development related activities including institutional aspects, land use, development project, infrastructure, organizational aspects and funding. As to socio-economic activities and technology, the listed areas are enterprises activities, labor, technology, and promotion. For the last item, public organization is listed as related area for the proposed projects.

TABLE 2.7.1 RELATION OF PROPOSED PROJECTS WITH THE DEVELOPMENT REALTED AREAS

	IN01 Institutional Building	IN02 MEPZ Expansion	IN03 Industrial Estate	IN04 Cebu Local Economy Acceleration Program
1 Regional Aspect	##			
Institution				
Law				
Assist subsidy				
Specific Area	##			
Land use		#	#	
Industrial Zoning			#	
Development Project	##		##	
General Industrial Estate		#	##	
Local enterprise I E			##	##
Industrial Infrastructure	##	#	##	
Utility			##	
Transportation			##	
Facility			##	##
Organization	##	#		
Developing Board			##	##
Service Center			##	##
Fund	##			##
Public fund			##	##
Private fund			##	
2 Activity Aspect				
Enterprise	##			
Entrepreneur				##
Local Enterprise			##	##
National level			##	##
International			##	
Labor	##			
Worker Training			##	
Skills Training			##	
High technology Training			##	
Technology	##			
Patent center			##	
Training center			##	
Service Sector			#	
Related Industry			##	
Think tank			#	
Information			#	
R & D			##	
Promotion	##			
Information Service				
Event , Convention				
3 Public Organization	##			
Central Government	##	##	#	#
Local Government	##	#	##	#
Third sector	#		##	##
Sectoral Corporation			##	##

TABLE 2.7.1 RELATION OF PROPOSED PROJECTS WITH THE DEVELOPMENT REALTED AREAS (CONT'D)

	IN05 Human Resource Technology Network Program	IN06 Cebu Economic Development Corporation	IN07 Infrastructure Development Project Western seaboard	IN08 Cebu World Trade & Training Center
1 Regional Aspect				
Institution				
Law				
Assist subsidy				
Specific Area				
Land use			##	
Industrial Zoning			##	
Development Project			##	#
General Industrial Estate	#		##	
Local enterprise I E	##		##	
Industrial Infrastructure			##	
Utility			##	
Transportation			##	
Facility			##	#
Organization		##		
Developing Board	#	##		##
Service Center	##	##		##
Fund		##	##	##
Public fund	#	##	##	##
Private fund	#	##	##	##
2 Activity Aspect				
Enterprise				##
Entrepreneur	#	#		
Local Enterprise	##	##	#	##
National level	#	##	##	##
International	#	#	##	##
Labor		##		##
Worker Training	##	##		
Skills Training	##	##	#	
High technology Training	##	##	#	
Technology		##	#	#
Patent center	#	##		
Training center	##	#		
Service Sector	##	#		
Related Industry	##	##		
Think tank	#	##		##
Information	##	##		##
R & D	##	##		##
Promotion		#		##
Information Service	#			##
Event , Convention	#			##
3 Public Organization			##	##
Central Government	#		##	#
Local Government	#	##	#	##
Third sector	##	##	#	##
Sectoral Corporation	##	#		##

TABLE 2.7.1 RELATION OF PROPOSED PROJECTS WITH THE DEVELOPMENT REALTED AREAS (CONT'D)

Project No	IN09 Rural IE	IN10 Western Sea-Board Development	IN11 Extension HRTNP	IN12 Expansion Cebu World Trade Cebter	IN13 Cebu Research Park City
1 Regional Aspect					
Institution					
Law		#			#
Assist subsidy		#			#
Specific Area		#			
Land use		#			#
Industrial Zoning		##			#
Development Project		##			##
General Industrial Estate		#			#
Local enterprise I E		#			#
Industrial Infrastructure		##			##
Utility		##			##
Transportation		##			##
Facility		##			##
Organization					##
Developing Board		##			##
Service Center		#			##
Fund					##
Public fund		##			##
Private fund		##			##
2 Activity Aspect					
Enterprise					##
Entrepreneur					##
Local Enterprise		##			##
National level		##			##
International		##			##
Labor					##
Worker Training		#			
Skills Training		##			#
High technology Training		##			##
Technology		##			##
Patent center		#			##
Training center		##			##
Service Sector		##			##
Related Industry		##			#
Think tank		#			##
Information		#			##
R & D		##			##
Promotion		##			#
Information Service		#			
Event , Convention					
3 Public Organization					##
Central Government		##			#
Local Government		##			#
Third sector		#			##
Sectoral Corporation		#			##

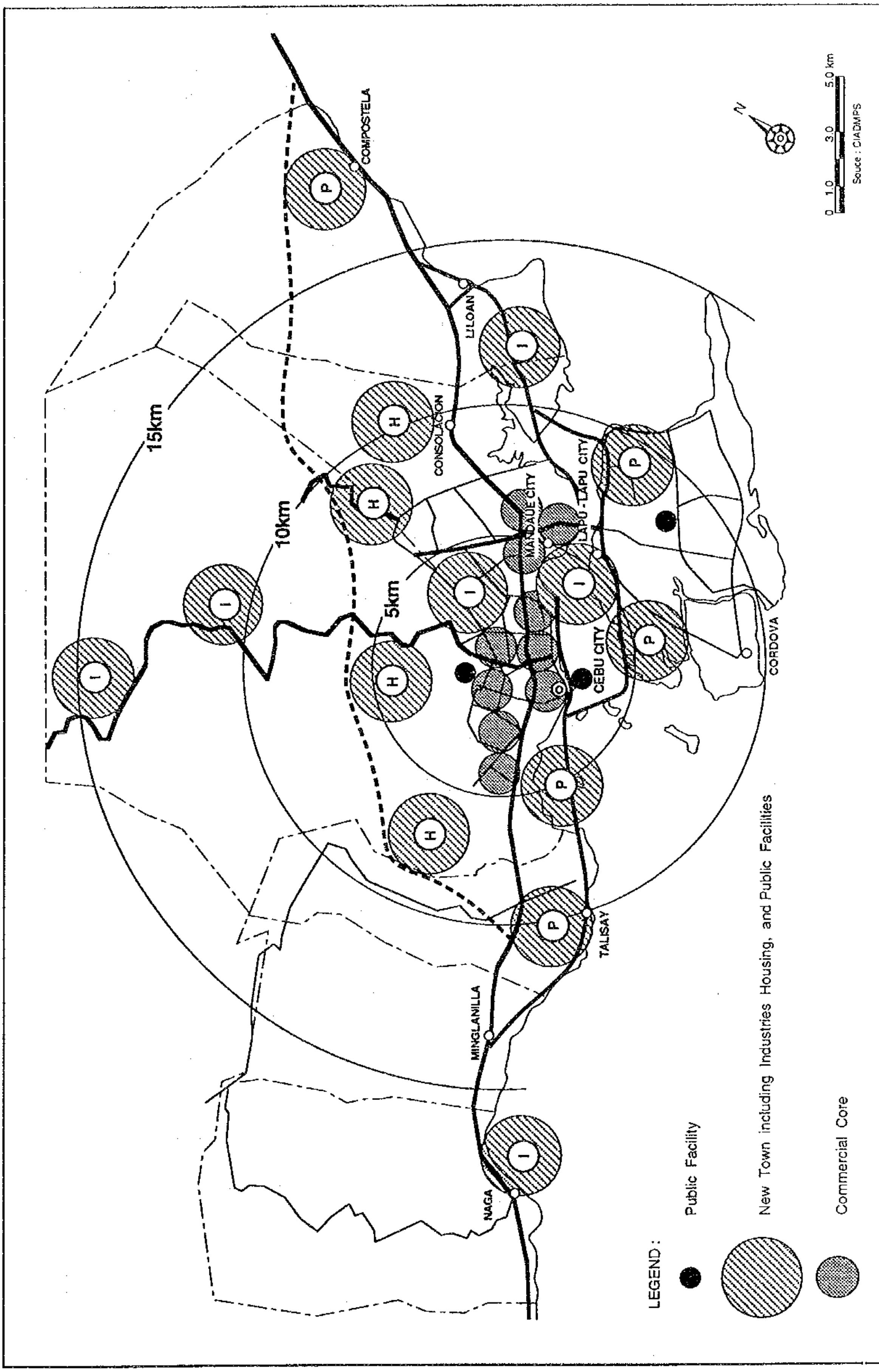


FIGURE 2.7.1 LOCATION OF PROPOSED PROJECTS

CHAPTER 3

TOURISM DEVELOPMENT

CHAPTER 3
TOURISM DEVELOPMENT

3.1 PHILIPPINE TOURISM OVERVIEW

3.1.1 PHILIPPINE TOURISM

After two difficult years (1990 and 1991) characterized by natural disasters and socio-political instability, tourism in the Philippines finally reversed its negative trend of foreign visitor arrivals, registering an impressive growth of 21.2% or a total of 1,152,952 in 1992.

The major source markets by country were the U.S.A (19.2%), Japan (19.2%), Taiwan (10.6%), Hong Kong (5.7%), Korea (4.7%) and Australia (4.4%).

East Asia (36.4%) topped as the major regional source market, followed by North America (22.6%) and Europe (12.3%).

TABLE 3.1.1 FOREIGN VISITOR ARRIVALS (1988 - 1992)

Visitor Arrivals (thousands)	Philippines	Growth (%)
1988	1,043	44.1
1989	1,190	14.1
1990	1,025	-13.9
1991	951	- 7.1
1992	1,153	21.2

Source: Department of Tourism

3.1.2 CEBU TOURISM

Along with this national trend, Cebu's tourism industry in 1992 put the problems of two troubled years behind it, registering a growth of 12.0% or 131,859 foreign arrivals. Its 1993 performance recently made available showed a remarkable growth of 24.5% or a record-breaking 164,138 foreign arrivals.

Recent developments such as new airlinks, improvements at the Mactan Airport and a growing hotel inventory clearly indicate that Cebu has recovered from the ill effects of natural as well as man-made calamities.

Major source markets for Cebu in 1993 were Japan (32.2%), Taiwan (29.4%), Hong Kong (6.9%), the U.S.A.(6.4%), U.K.(3.3%), Germany (3.3%) and Australia (2.8%).

The major regional source market area were East Asia (Japan, Taiwan, Hong Kong and Korea) with a dominant 69.5% of foreign arrivals, followed by Western Europe (9.9%) and the Americas (7.1%).

TABLE 3.1.2 FOREIGN VISITOR ARRIVALS 1988 - 1993

Visitor Arrivals (thousands)	Cebu	Growth (%)
1988	110	10.9
1989	130	18.2
1990	111	-14.4
1991	110	-1.5
1992	132	12.0
1993	164	24.5

Source: Department of Tourism, Region VII

3.2 PRESENT SITUATION AND PROBLEMS

3.2.1 TOURIST RESOURCES

Cebu's tourist resources are characterized by history and nature, represented by Magellan's Cross and beaches/coral formations off Cebu Island.

Historical sites related to Magellan's arrival and subsequent Christianization are unique and interest most foreign tourists coming to Cebu. It should be noted, however, that they are of minor or only fleeting interest to non-Christian East Asian tourists (except for a portion of Koreans), who comprise the majority of visitors to Cebu (69.5%).

Cebu's natural resources center on beaches and diving spots, which attract prospective foreign tourists to visit Cebu. Its beaches are, however, generally of smaller scale (expanse, length, etc.) compared to other ASEAN beaches (such as Phuket in Thailand or Bali in Indonesia), with which Cebu is fiercely competing for tourist patronage. Its dive spots and coral formations are in constant danger of deterioration due to lack/insufficient implementation of protective measures (prevalent dynamite fishing, conflict of interests between fishermen and tourists/tour operators).

Cebu lacks distinctive cultural and folkloric resources to attract general foreign tourists, such as ethnic/tribal life, customs and dances found in Central Cordillera in Luzon or in South Cotabato in Mindanao. Cebu also lacks distinctive natural landmarks, which need no interpretation to appreciate their appeal, such as Lake Taal, Banaue Rice Terraces and Mt. Mayon.

Table 3.2.1 lists the tourist attractions by seven categories in Cebu Province, as identified in the 1992 Region VII Tourism Situationer of the Department of Tourism, with three classifications by the Study Team, namely, a) international appeal, b) regional appeal, and c) local appeal. As an aid for comparison, some tourist attractions of international appeal identified in other part of the Philippines are added.

TABLE 3.2.1 TOURIST ATTRACTIONS IN CEBU PROVINCE

	Appeal in Cebu Province			Tourist Attraction with International Appeal-Grade A in Other Islands in the Philippines
	Internation	Regional	Local	
Histric	Magellan marker (B) Fort San Pedro (A/B) Lapu-lapu Monument (B)		Colon St. Capital Bodg. Univ. of San Carlos Bantayan sa Hari	Fort Santiago
Natural	Mactan Island (B) Moalboal (B)		Bolok Bolok, Barili Kawasan Falls Nonoc Caves	Tagaytay/Taal Lake Boracay Beach Mayon Volcano
Cultural			Univ. of SanCarlos Museum Museum of Lepido Mosaic Rizaliana Museum Osmeña Museum	Banaue Rice Terrace
Religious	Basilica Santo Nono (B) Taoist Temple (B)		Chapel of Last Supper Heavenly Temple of Charity Phu-siam Temple Celestial Gardens Semana Santa sa Bantayan	
Man-made			Berverly Hills Liloan Lighthouse Cebu Country club Mactan Bridge Fuente Osmeña Avenue of Flags	Villa Escudero Plantation
Festival		Sinulog	Sanayon Kadaugan sa Mactan Flores de Mayo	
Special Interest			City Zoo Firing Range Tops Luck Tableware Factory Guitar factories San Miguel Brewery	

Notes: As identified in the 1992 Region VII Tourism Situationer complied by Department of Tourism.
Three classifications of Appeal (international, regional and local) and grading (A and B) area given by the assessment of the Study Team.

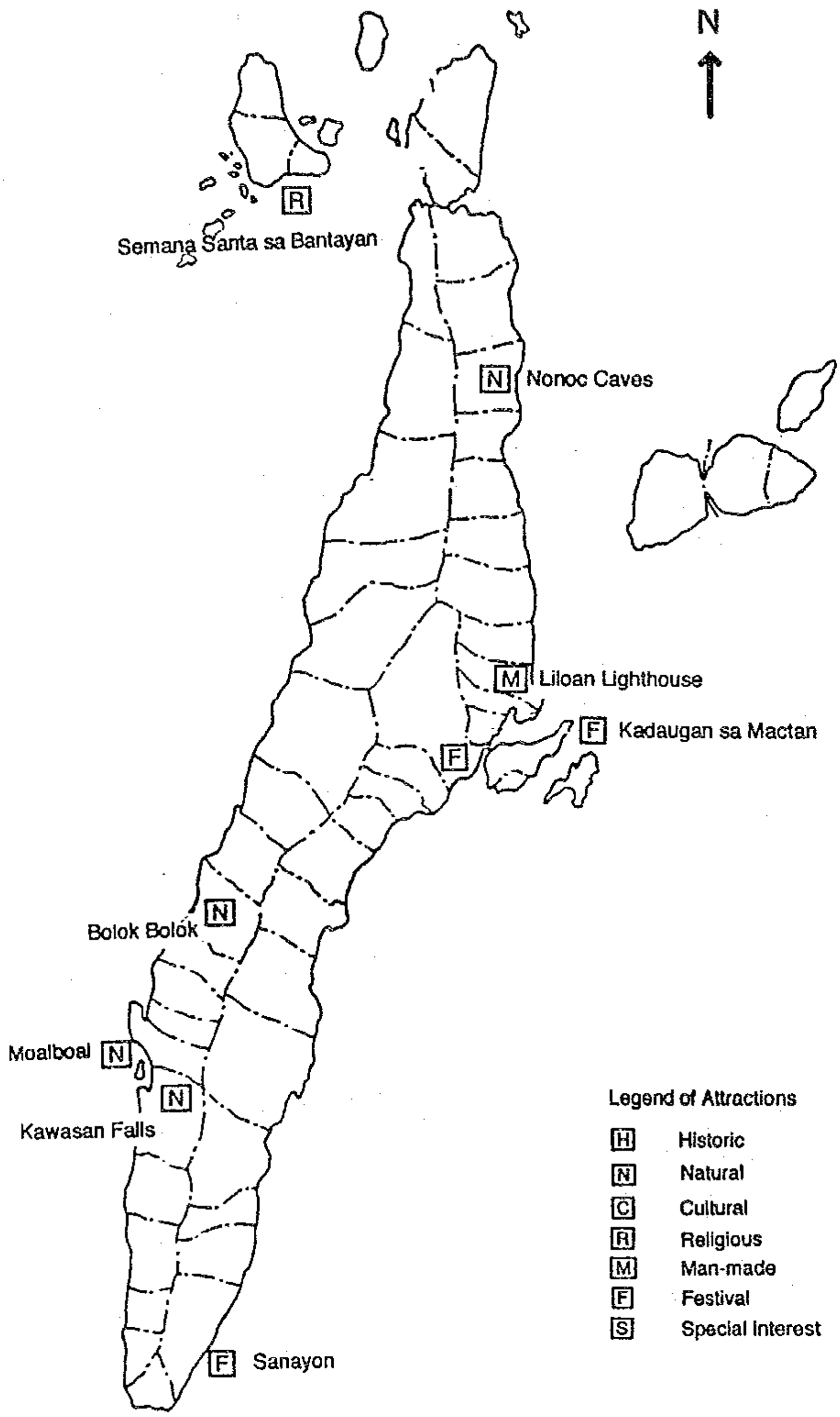


FIGURE 3.2.1 TOURIST ATTRACTIONS IN CEBU PROVINCE

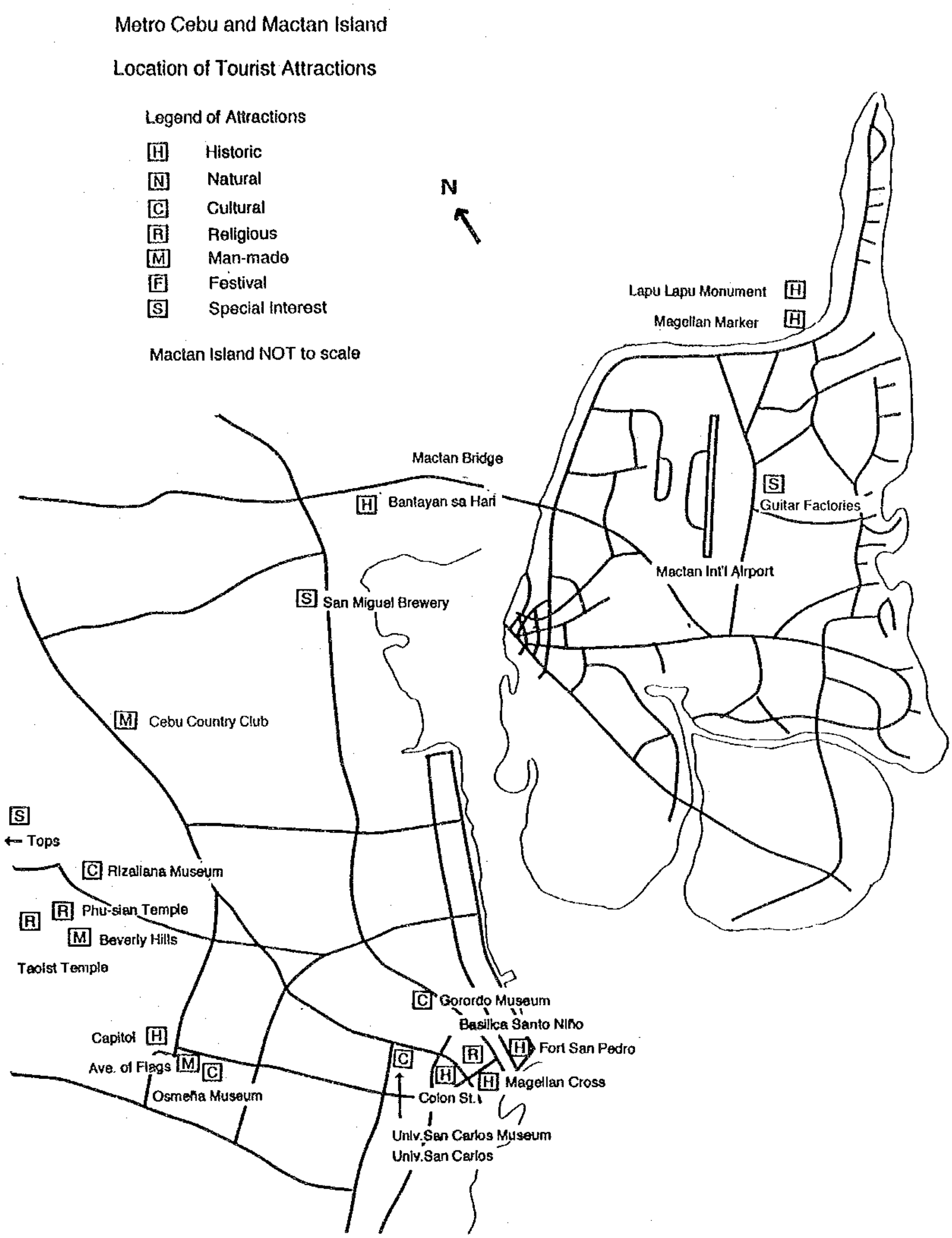


FIGURE 3.2.2 TOURIST ATTRACTIONS IN METRO CEBU AND MACTAN ISLAND

3.2.2 TOURIST FACILITIES

(1) Accommodation

Classified hotels and resorts in Cebu Province have a total of 2,861 rooms (5,722 beds) as of September 1993 and are broken down as follows:

TABLE 3 2.2 CLASSIFIED ACCOMMODATIONS IN CEBU PROVINCE

Category	Number	Rooms	Beds
• Cebu City	17	1,645	3,290
Deluxe	1	406	812
First class	2	339	678
Standard	9	563	1,126
Economy	5	337	674
• Mactan	12	894	1,788
AAA	4	572	1,144
AA	5	255	510
A	3	67	134
• Other Locations	9	322	644
AAA	1	40	80
AA	3	126	252
A + SIR	5	156	312
Total	38	2,861	5,722

Source: Department of Tourism, Region VII

The average room occupancy of Cebu's hotels and resorts in 1993 is estimated at 62% as declared by 15 major properties which the Study Team surveyed.

The deluxe, first class, some of standard class hotels and AAA, AA resorts generally meet the accommodation requirements of foreign holiday tourists. In the Philippine tourism landscape, Cebu can claim the position of the one and only beach-oriented destination widely known in the overseas tourist markets It also has a sizable capacity and the standard of accommodation.

However, compared with the other competing ASEAN beach destinations (e.g. Pattaya, Phuket, Samui in Thailand, Bali in Indonesia, Penang, Langkawi in Malaysia), Cebu's capacity is smaller and its standard inferior. Cebu's AAA resorts generally rank 3-star at best compared with other ASEAN beach resorts. Their capacity is only 50-60 rooms per property while ASEAN resorts accommodate an average of 200-250 rooms per property. A sign of improvement in this area is seen in the opening of two new properties of international standards, namely, Alegre Beach Resort in Sogod (40-room 5-star cottage type resort opened in April 1993) and Shangri-La in Mactan (350-room 5-star resort hotel soft-opened in October 1993).

(2) Tourist Transport

Vehicular tourist transport (tourist coach, hire car, rent-a-car and taxi) is generally adequate. Availability of generally dependable "metered" taxi in Metro Cebu is a commendable feature, compared with the situation in Manila or other ASEAN tourist destinations (such as Bangkok).

In order to cope with the anticipated visitor increase (especially in group tour traffic), tourist coaches (size, standard and fleet) must be upgraded.

Sea transport is generally poor(ferry) and inadequate(banca) with inefficient pier/terminal facilities. Sea transport will play a vital role if the Province-wide tourism development is envisioned, with foreseeable strengthening of sea-links to Bohol (Panglao), Bantayan, Camotes and Siquijor. Introduction of modern, high-speed boats(e.g. Jet Catamaran, Hydrofoil) is needed. It will not only offer a safe and comfortable sea trip currently unavailable, but will also create an added tourist attraction in itself through scenic sea cruise in the Visayan Seas.

3.2.3 TOURIST SERVICING

There are many areas in the tourist services where actions are urgently needed. They are listed according to the order of importance and urgency to be addressed.

(1) Illegal Guides

Illegal guides ("hupo hupo") and the like should be expelled from the airport arrival area. Visitors harassed by these unscrupulous operators will never return to Cebu. Greater damage will be done to Cebu tourism through negative "word-of-mouth" publicity of these tourists returning home. If this illegal operation continues, Cebu will never become a tourist destination suitable for wholesome family vacation or increased traffic volume (one million visitors), which are the goal of DOT Region VII.

(2) PAL Domestic Flight Punctuality

PAL operates some 10 flights daily for the Manila/Cebu sector. The Study Team members took some 20 flights in this sector in the course of its study from July to December. They encountered almost chronic delay of 1.5 to 3 hours for daytime flights from around 10:30 am to 15:00 p.m., particularly for Cebu-bound flights. The Study Team observed that the first flight in the morning and evening flights are not delayed. Lack of punctuality is harmful not just for tourist traffic but also for business traffic.

(3) Immigration and Customs

Immigration and custom officers need special personalized training to cater to visitors who are holiday-seekers. The visitors' first and lasting impression of a particular tourist destination is determined by these officers who either help promote the destination or put it in disfavor.

(4) Souvenir Items and Shopping

Shop and their services need improvement and upgrading in order to maximize Cebu's opportunity to earn more tourist dollars. Locally available souvenir items are limited in variety and choice and lack sophistication. Their sales outlets (including well-known department stores in Cebu) are unattractive to holiday tourists and inefficient in handling purchases (slow and crowded cash register/sales counter). Cebu stores' common practice of stapling a plastic bag containing purchased goods with a receipt discourages souvenir hunters. Poor packaging of choice souvenir items discourages tourists. There is no one-stop shopping center specially tailored for tourists where choice souvenir products from across the Philippines are showcased and sold.

(5) Restaurant

Restaurants are generally adequate in providing a variety of choices and menus (Filipino, western, oriental, etc.). Attention should be paid to the cleanliness and sanitary condition, as some establishments overlook this important detail.

(6) Tourist Guide and Tour Operator

Tourist guides and tour operators are generally adequate in providing standardized level of tourist services.

3.2.4 TOURIST FACILITATION

(1) Tourist Information Center

DOT operates two information centers: at the Mactan international airport and at their regional office at GMC Building.

The information center at their regional office is inconvenient to tourists. Ideally, another branch should be opened at the city center such as Fuente Osmeña.

In consideration of DOT's budgetary limitation, the cost for opening and operating a branch center can be shared with Cebu Province, the city/municipality, Hotel, Resort & Restaurant Association, souvenir manufacturers, shopping outlets, etc.

(2) Tourist Information Materials

Existing tourist information materials are inventoried as follows:

TABLE 3.2.3 TOURIST INFORMATION MATERIALS

Title	Format	Issued by	Updating
a) Your Guide to Cebu	1-sheet, fold-away, color	DOT	Yes
b) Island Philippines, Cebu and Bohol	1-sheet, fold-away, color	DOT/PCVC	1991/1992
c) Cebu Visitor Information	56-pages, booklet, color	PCVC	(1991/before)

Source: Department of Tourism, Region VII

Tourist information materials can be classified roughly into two categories: one aimed to help tourists after arrival at destination (on-site material) and another aimed to promote a destination in overseas markets (promotion material).

"Your Guide to Cebu" and "Island Philippines, Cebu and Bohol" are classified as "on-site materials". The key elements of "on-site material" are practicality and accurateness of information contained, which dictate constant updating. It is mass-produced and is usually prepared in simple format: no glossy paper, no color, no photograph. In this regard, both materials are halfway between "on-site material" and "promotion material" and leave much to be desired.

"Cebu Visitor Information" is produced as a "promotion material" of the "Island Philippines" campaign deployed in 1991 and has not been updated yet. Since it has to be first shipped overseas in bulk and then distributed to prospective tourists either by hand-out or mail, postage and handling costs should be considered. The material was produced in total disregard of these costs.

(3) Tourist Map

A simple and accurate tourist map with grid and index for tourist attractions, hotels, etc. is a standard fixture in any established tourist destinations as a free hand-out at tourist information centers, hotels or stores.

DOT's free "Your Guide to Cebu" contains a tourist map, but lacks grid and index. Maps sold locally also lack grid and index. Some lack artistic sophistication and are designed for local residents' use because they contain information irrelevant to tourists.

(4) Tourist Signs and Signposting

Tourist signs with uniform artistic design (ethnic/traditional motif) for tourist resources and attractions are standard fixtures of established tourist destinations. Uniformity and artistic presentation contribute greatly to the enhancement of the image of a tourist destination.

Tourist signs consist of a) directional sign, b) attraction name sign, c) attraction information board and d) interpretative information board (a series of information boards set up at complexes of resources/attractions in order to aid systematic appreciation - time, space, etc.).

At the moment, tourist signs of this type are almost non-existent in Cebu, except the one at Lapu Lapu Monument and the two at Magellan's Cross and Basilica Santo Niño. The latter two are attraction name and information board produced by the Philippines Historical Society in 1941. The sign at Magellan's Cross is posted at the top of the arch entrance, making it difficult to identify and read, while the plaque of its restoration with benefactors' name, which is of lesser importance and relevance to visitors, is posted at an ideal spot (refer to Section 3.6.1 Photo Analysis of Tourist Signs on pages 3-39 and 3-40).

3.2.5 TOURISM SUPPORT INFRASTRUCTURE

A thriving tourism industry will not develop simply by having stretches of white sand beach and a couple of resorts. Tourism today, especially in terms of volume and quality, consists of a highly complex combination of infrastructure, facilities and services, delivered by professional experts with sophistication.

Cebu lags behind other ASEAN beach destinations in the provision and maintenance of tourism support infrastructure which is an integral foundation for a thriving industry. Photo Analysis of Existing Tourism Support Infrastructures in Cebu in Section 3.6.1 on pages 3-xx to xx examines how Cebu fares in the eyes of visitors.

(1) Mactan Airport

The planned expansion and upgrading of the Mactan Airport terminal will be completed by 1996. Existing terminal facilities (notably the domestic terminal) are far from satisfactory to business travelers and holiday tourists. Improvement and landscaping are urgently needed in the approach, so that the "sense of arrival to a tourist destination" will be enhanced. The existing approach only gives an impression of arriving into a dilapidated industrial area.

(2) Road Condition and Maintenance

Roads in Metro Cebu are generally in poor condition. Measures are urgently needed to improve them, particularly those frequented by tourists. Part of the main approach road used by tourists (Mactan Airport-Lapu Lapu City-Mandaue City-Cebu City center) is narrow with no paved road shoulder. The main approach from the airport to the Mactan resort area is an anticlimax to the expectation of holiday visitors. Lack of landscaping and greenery betrays Cebu's reputation as a tourist destination, coupled with garbage-strewn roadside, graffiti-smeared fences and polluted air.

(3) Tourist Seaport

There is no tourist port, marina or yacht harbor in Cebu at the moment, except for the port for regular inter-island shipping services. If Cebu should become a tourist hub for sea route to nearby islands (such as Bohol and Camotes) in the future, the provision of a high standard tourist port capable of handling hydrofoils, jet-catamarans and other tourist boats should be established.

3.2.6 QUESTIONNAIRE SURVEYS

The results of the surveys conducted for the tourism sector, (one for hotel/resort properties in Cebu and the other for tourists in Cebu and four other destinations in the Philippines) are found in the Appendix to this chapter.

A summary of the findings, which will be useful in formulating tourism development guidelines and preparing development projects and programs is presented.

(1) Hotel/Resort Property Questionnaire Survey

The survey of hotel/resort properties was conducted in September and October 1993, among 15 representative properties in Cebu Province whose major clientele are foreign tourists.

Of the total respondents, 10 properties (66.7%) cited poor infrastructure and environmental degradation as major constraints for Cebu tourism development, and urge responsible authorities to take immediate actions to solve/alleviate these problems:

- poor airport terminal facilities
- poor road condition and maintenance (asphalting, pothole, lighting, sidewalk)
- lack of beautification

- lack of utility supplies (water, telephone lines)
- lack of cleanliness (garbage, drainage, graffiti)
- mounting pollution (air, river, sea)
- lack of tourist attraction (cultural, sports)
- lack of tourist-oriented shopping district

Responsible authorities should realize the frustration of one prestigious hotel operator, who returned the questionnaire with a comment which reads:

"Do not promote Cebu City as "Queen City of the South" or "Pearl of etceteras" as it is *strongly misleading*."

(2) Tourist Questionnaire Survey

The survey of tourists was conducted in October and November 1993 in Cebu, Manila, Boracay, Palawan and Davao(Samal Island). A total of 545 effective questionnaires were collected. The following findings were revealed:

(a) Natural/social environment

- Beach-side landscape vs. Inland landscape — Majority of respondents(70.7%) rated Cebu's beach-side landscape as "good", but 43.3% of them found its inland landscape "average" and 17.8% as "bad." High incidence of "bad" observed among tourists from Japan , Hong Kong and U.S.A. **Improvement Required** for inland landscape.

- Peace and Order — Of the total respondents, 45.8% gave a "good" rating followed closely by 42.1% for "average". Still, 12.1% of the respondents consider this factor a problem, giving "bad" rating. Concern on this aspect is very high particularly in Japanese market, whose 60.5% responded "average" and 20.2% "bad." **Improvement Required.**

- Sanitary condition — "Average"(42.9%) surpassed "good"(33.1%), with a rather higher percentage of respondents rated "bad"(24.0%), indicating a generally critical rating. "Bad" rating is universally observed across all the source markets, Asian or Western. Here again, Japanese market showed highest concern, with 46.2% for "average" and 40.3% for "bad", with only 13.4% giving "good." **Improvement Required.**

(b) Tourist activities

- Beach Relaxation — Majority of respondents (69.0%) tried beach relaxation, and 95% of those who tried found it "good." Of the total, 24.7% of respondents answered "did not try".

- City Tour/ Entertainment — Less than a half of respondents (45.7%) tried city tour/entertainment, and 25.9% of those who tried found it "not good." Those who answered "did not try" and "wanted to try, but could not" accounted for 54.3%. **Improvement Required.**

- Beach Activities (snorkeling, diving, fishing, etc.) — More than a half of respondents (51.8%) did not try beach activities (snorkeling, diving, fishing, etc.). 10.5% of them answered "wanted to try, but could not" and 9.9% of those who tried answered "not good." **Improvement Required.**

- Golf/Other Sports — Majority (74.3%) of the respondents answered "did not try" golf/other sports, 8% chose "wanted to try, but could not," and 21.5% of those who tried answered "not good." **Improvement Required.**

(c) Tourist facilities

- Accommodation — Some 68.3% of the respondents rated room accommodation as "good," and 28.7% as "average." Higher incidence of "average" and "bad" was reflected among East Asian tourists (Japan, Hong Kong, Taiwan) , while more Westerners rated it as "good " **Improvement Required.**

  A similar trend in rating was noted for meals, services and facilities of Cebu's accommodation with more critical rating among East Asian tourists while more favorable rating among Westerner. **Improvement Required.**

(d) Tourist services

- Shopping — "Average" ratings surpassed "good" in all 3 counts of questions on shopping, namely "quality," "price" of product and "shop attendant." Here again, a higher incidence of critical rating among East Asian tourists and favorable rating among Westerners was observed. On "shop attendant," critical rating surpassed favorable even among Westerners. **Improvement Required.**

- Restaurant outside of the Hotel — Out of four questions, "average" surpassed "good" on 2 counts, namely, "price of food" and "hygiene." "Good" surpassed "average" by a narrow margin on "food/menu served" and "waiter/waitress." Generally, lower ratings were given by East Asian tourists, compared to Westerners. On "hygiene" count, however, "bad" incidence was noted among tourists from Japan, Hong Kong and Germany as well. **Improvement Required.**

(e) Tourist facilitation

- Information Needs — Out of 10 information items desired, the top 3 areas/activities that the tourists wanted to know more about were (1) hotel, (2) beach activities and (3) tourist attraction, followed by (4) optional tour, (5) transportation, and (6) restaurant.

  The different information needs (top three items) by some source market by order of importance were:

Country	First	Second	Third
Japan	hotel	beach activities	restaurant
Hong Kong	hotel	tourist attraction	beach activities
Taiwan	optional tour	restaurant	transportation
U.S.A.	hotel	tourist attraction	beach activities
Germany	beach activities	tourist attraction	map
Switzerland	transportation	tourist attraction	hotel

(f) Tourist promotion

- Information Source (motivation)

Out of six useful information sources about the destination, the top 3 sources are (1) friends, (2) tour brochure and (3) guidebook, followed by (4) newspaper/magazine. The top three information sources by some source market by order of importance were:

Country	First	Second	Third
Japan	tour brochure	friends	guidebook
Hong Kong	friends	tour brochure	guidebook
Taiwan	friends	guidebook	tour brochure
U.S.A.	friends	tour brochure	guidebook
Germany	guidebook	friends	tour brochure
Switzerland	friends	tour brochure	guidebook

- Factors in Choosing a Travel Destination

Out of the nine factors affecting choice of destination, the top three were beach, presence of direct flight and tour price, followed by departure date and variety of sights. The top three factors by some source market by order of importance were:

Country	First	Second	Third
Japan	beach	tour length	tour price
Hong Kong	beach	direct flight	type of accommodation
Taiwan	beach	restaurant	transportation
U.S.A.	variety of sights	departure date	tour price
Germany	beach	tour price	direct flight
Switzerland	beach	variety of sights	tour length

3.3 CEBU AS A BEACH DESTINATION

3.3.1 COMPETING PHILIPPINE DESTINATIONS

There are several established beach destinations in the Philippines known both domestically and internationally: Puerto Azul, Anilao in Luzon, Boracay in Panay, Puerto Princesa and El Nido in Palawan, Dakak in Dipolog and Samal Island in Mindanao.

Among them, Cebu occupies the leading position in terms of capacity (accumulation of hotels and resorts) and standard (quality accommodations). Puerto Azul has better facilities, but being an isolated and one-property enclosure development, it lacks the expanse as a tourist destination. Boracay has an accumulation of resorts fast catching up with Cebu in recent years, but its resort standard is still inferior compared to Cebu. It also lacks air access to cope with mass tourist traffic. El Nido, Dipolog and Samal all boast of excellent facilities coupled with scenic natural surrounding, but they are isolated, one-property development and do not have urban amenities found in Metro Cebu.

In this context, Cebu is the one and only beach-oriented destination in the Philippines worthy of the term. It has sufficient accumulation of resorts, easy air access, urban servicing center and adequate human resources to support tourist services.

3.3.2 COMPETING ASEAN DESTINATIONS

Cebu is facing fierce competition from many established destinations in the ASEAN (e g. Pattaya, Phuket, Samui in Thailand, Bali, Lombok in Indonesia, Penang, Langkawi in Malaysia) as a beach-oriented destination.

Cebu's tourism facilities and infrastructure were at par with other ASEAN destinations in the 1970s. Massive development and improvement have since been implemented in the 1980s in Thailand, Indonesia and Malaysia. Existing facilities and infrastructure in Cebu lag far behind its competing ASEAN destinations in many areas and are not conducive to the development of volume and up-market tourism.

To illustrate the position of Cebu among the competitive ASEAN beach destinations represented by Phuket in Thailand and Bali in Indonesia, Table 3.3.1 summarizes the existing conditions of each beach destination in terms of air access, airport, beach, accommodations, tourist attractions, etc.

In almost all areas for comparison, Cebu needs immediate improvement and upgrading if it wants a share in the international tourist market. The specific areas where crash measures for improvement needed are:

Area	Important Measures
1. Airport and approach to Airport	• sense of arrival
2. Road condition and maintenance	• road leading to Metro Cebu • road leading to Mactan resort area
3. Tourist attractions and souvenirs	• beautification and diversification • sophisticatedsouvenir development
4. Security	• stricter enforcement of law and order to eliminate tourist victimization • strengthening of "Task Force Turista"
5. Cleanliness	• clean-up of tourist-frequented city streets • community awareness campaign NOT to litter the streets
6. Tourist facilitation	• strengthening of tourist information centers • provision of tourist information materials and tourist signs

TABLE 3.3.1 COMPARATIVE POSITION OF CEBU AS BEACH DESTINATION AMONG THE COMPETING ASEAN BEACHES

		CEBU (PHILIPPINES)		PHUKET (THAILAND)		BALI (INDONESIA)	
		MACTAN	SOGOD/ARGAO	NAIHARN/LAGUNA	PATONG/KARON	KUTA	NUSA DUA/SANUR
Foreign Visitors (1992)		132,000		1,100,000		1,500,000	
Air Access	Direct Flight from Major Markets	From JPN, HKG, SIN		From JPN, HKG, SIN, EUROPE (SEASONAL CHARTER)		From JPN, US, AUSTRALIA	
	Flight Time	4 hr - JPN 2 hr - HKG 3 hr - SIN		5 hr - JPN 3 hr - HKG 2 hr - SIN		6 hr - JPN 10 hr - US 6 hr - AUSTRALIA	
Airport	Terminal	Being Improved		Good (Fold-Away Boarding Bridge)		Good (Fold-Away Boarding Bridge)	
	Sense of Arrival	Not		Fair			
Airport to Beach	Access Time (min.)	Good 20-30	90-180	20-30	30-60	Good 10-20	30-45
	Road Condition	Not					
	Roadside Vista	Good Unsightly		Good (Rubber Tree lined . . . Plantation)		Good Good (Tree-Lined)	
Beach	Length	Less than 100 M (HADSAN) Others mostly Artificial Beach	100/300 M	3 Major Beaches of 1500/3000 M		3 Major Beaches of 2000/4000 M	
	Sand	Mediocre White	Fair White	White and Fine		White and Fine	
	Scenic	Mediocre		Attractive (Many Coves/Inlets)		Attractive (Volcano Vista, etc.)	
Accommodations		- Only two 5-star properties (Shangrila, Alegre) - Rest of properties at 3 star level by int'l comparison & small size		- 5-Star plus properties in abundance - International Hotel Operators (Hyatt, Meridien, Club Med, Sheraton) in place		- 5-Star plus properties in abundance - International Hotel Operators (Hyatt, Hilton, Sheraton, Intercontinental, Club Med) in place	
Tourist Attraction of International Appeal	Natural	Badian/Moalboal (A-Diving)		Phanga Island (A) Phiphi Island (A) Similan Island (A-Diving)		Kintamani, Agun (A) (Comparable to Lake Taal, Mt. Mayon)	
	Historical	Magellan Cross (B) Fort San Pedro (B) Basilica del Sto. Niño (B)		Old Phuket Town (Colonial Bldgs.)		Goa Gaja (A), Besakih (A), Taman Ayun (A), Tampaksiring (A), Klungkung (A) & many others	
	Cultural/ Folkloric	Gorordo Museum (B) Taoist Temple (B)				Barron (A), Leggon (A), Wayan (A), Balinese Painting (A), Ubud Artist Village (A)	
	Man-Made			Siam Village		Plaza Bali, Nusa Dua Village, Convention Center	
	Articraft/Souvenir	B Grade (Not Sophisticated, Not Geared for Up-Market Tourists)		A-Grade, Many Items, but Mostly Imported from Bangkok		A-Grade, Many Items, Sophisticated and Geared for Up-Market	
Security	Tourist Image Perception	Not Good		Fair		Fair	
	Tourist Police	In place, but Not Visible at all and seemingly Not Functioning well		In place and Visible and Function well			
Tourist Facilitation	Information Center	In place, but Inconvenient to utilize and Need Branch out		In place in Town Center		In place in Beach Center	

3.3.3 BEACH DESTINATION DEVELOPMENT STAGES

A common pattern is observed in the development of a beach destination, from a pristine sandy beach known only to local residents to a popular tourist mecca with plush resort hotels frequented by hordes of international tourists.

Figure 3.3.1 summarizes four development stages, and their relation to growth in tourist traffic volume, provision of accommodation facilities and major market sources (by type of tourists and by regional/national markets). To facilitate comparison between Cebu and competing ASEAN destinations, Cebu's existing resort properties are classified into applicable development stage.

Mactan's resort concentration in terms of capacity, size (of each property) and quality, lags behind the premier ASEAN destinations of Phuket (Thailand), Bali (Indonesia) and Penang (Malaysia). It is in a competitive stage with secondary, yet fast improving destinations such as Hua-Hin, Samui (Thailand), Langkawi (Malaysia), etc., in terms of facility provision, volume of tourist traffic and market source.

3.3.4 TOUR PACKAGE MARKETPLACE-JAPAN

Majority of tourists visit overseas holiday destinations by joining a tour package organized by tour operators because of convenience and cost.

Cebu is one of the many beach destinations competing for tourists' choice and patronage. In the Japanese tour package market, Cebu is sold as an ASEAN beach destinations. Japanese tour operators publish tour catalogs twice annually introducing a diversity of tour packages to solicit patronage of prospective tourists. Cebu's position is analyzed in two aspects: its visibility and pricing.

(1) Visibility

Major tour catalogs for Asian tourist destinations cover an average of 60 pages. The following is the number of pages devoted to Cebu and two other most representative beach destinations, Phuket (Thailand) and Bali (Indonesia) in the two operators' 1993 spring catalogs.

TABLE 3.3.2 VISIBILITY IN THE TOUR CATALOGS

Destination	JTB "LOOK Tours"	KNT "HOLIDAY Tours"
Cebu	2 pages	1 page
Phuket	6 pages	14 pages
Bali	10 pages	8 pages

Source: JTB and KNT tour catalogs

Poor visibility of Cebu in the tour catalogs reflects its popularity level among prospective Japanese tourists (consumers) as well as its marketing position among tour operators.

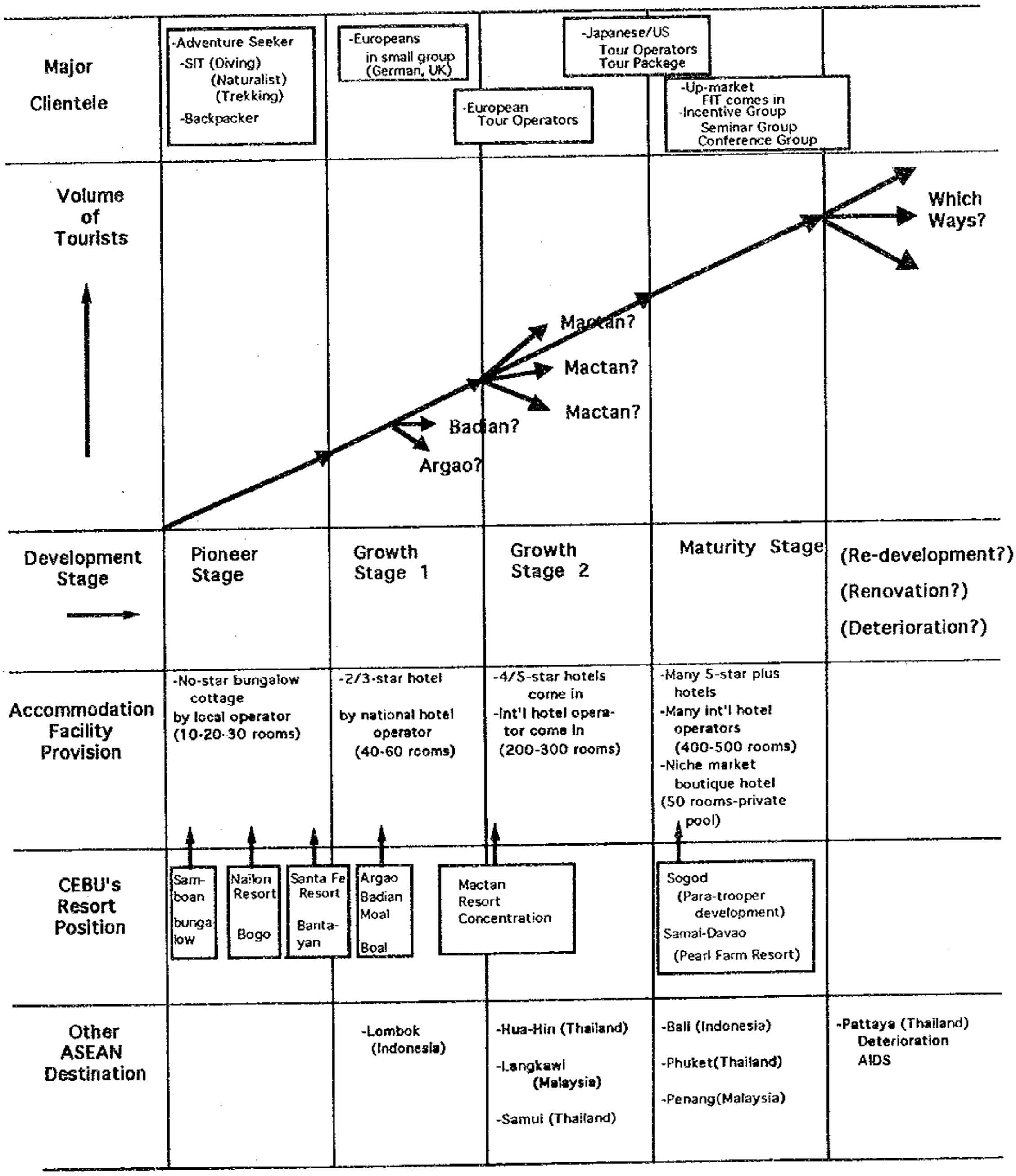


FIGURE 3.3.1 COMMON DEVELOPMENT STAGES OF BEACH-ORIENTED DESTINATION