

### **2.3.3 Second Subic Bay Freeport Project (The World Bank's Master Plan II)**

The World Bank involvement with SBMA began in 1992, when it assisted the Authority to develop a strategy for the conversion of former US Naval base to civilian use. The assistance was provided in two phases: an initial mission in 1992 to confirm the feasibility of the redevelopment, and technical assistance in the last half of the year in which the Bank engaged a consultancy firm, The Service Group, to assist with the formulation of implementing rules and regulations, physical planning and formulation of a land facilities use plan, and transportation facilities planning. A report entitled Philippines: "Strategy for Conversion of the Subic Naval Base into a Special Economic Zone and Freeport" was published in 1993. The Government subsequently requested the Bank's assistance in financing critical improvements to the infrastructure, providing institutional strengthening of SBMA, and assistance in environmental protection activities, leading to the Subic Bay Freeport Project (Subic I ) which began in 1994.

In 1994, SBMA invited Wardrop Engineering Inc. to apply to the Canadian International Development Agency Industrial Cooperation Branch (CIDA) for financial support to conduct feasibility studies and prepare the planned World Bank financed Second Subic Bay Freeport Project including water supply, solid waste management, power distribution, roads and bridges, and institutional strengthening components. CIDA approved the application and Wardrop mobilized its staff in 1995.

The report of the project presents the findings of the feasibility studies, alternatives considered, recommendations for inclusion in the Second Subic Bay Freeport Project, capital and operating cost estimates, financial and economic analysis, and social and environmental impact analysis of proposed improvements

### 2.3.4 Subic International Airport Master Plan

The airport built by the U.S Navy in the early fifties was carved out of the side of a steep hill. Consequently, air approaches to the runway are difficult. The airport itself occupies 285 hectares and contains a single runway 2,744 m long and 45 m wide. Between 1994 and 1996, the airport has been substantially upgraded.

The land use concepts of the airport were further developed into three full master plans with some small variations from their original concepts. The three Master Plans aim to minimize costs to the extent possible and to allow a high degree of flexibility in the development of the airport because:

- The forecast began from a low base and could vary substantially from what is indicated in the Marketing Survey;
- The continuation and extent of FedEx operations are uncertain after 2002 and
- The first passenger terminal expansion should occur in the period between 2004 and 2008 and its size and location could vary. This expansion could either take place at its present site or part of the operations could move to a new location as proposed.

The present terminal has a capacity of approximately 500 passengers in one direction and will need to be expanded only around the year 2006. For three scenarios, the location of the air terminal will vary:

- ① Scenario I is Full Hub.
- ② Scenario II is Limited Hub.
- ③ Scenario III is No Hub.

The location of the above masterplans and other plans is shown in Figure 2.3.4-1.

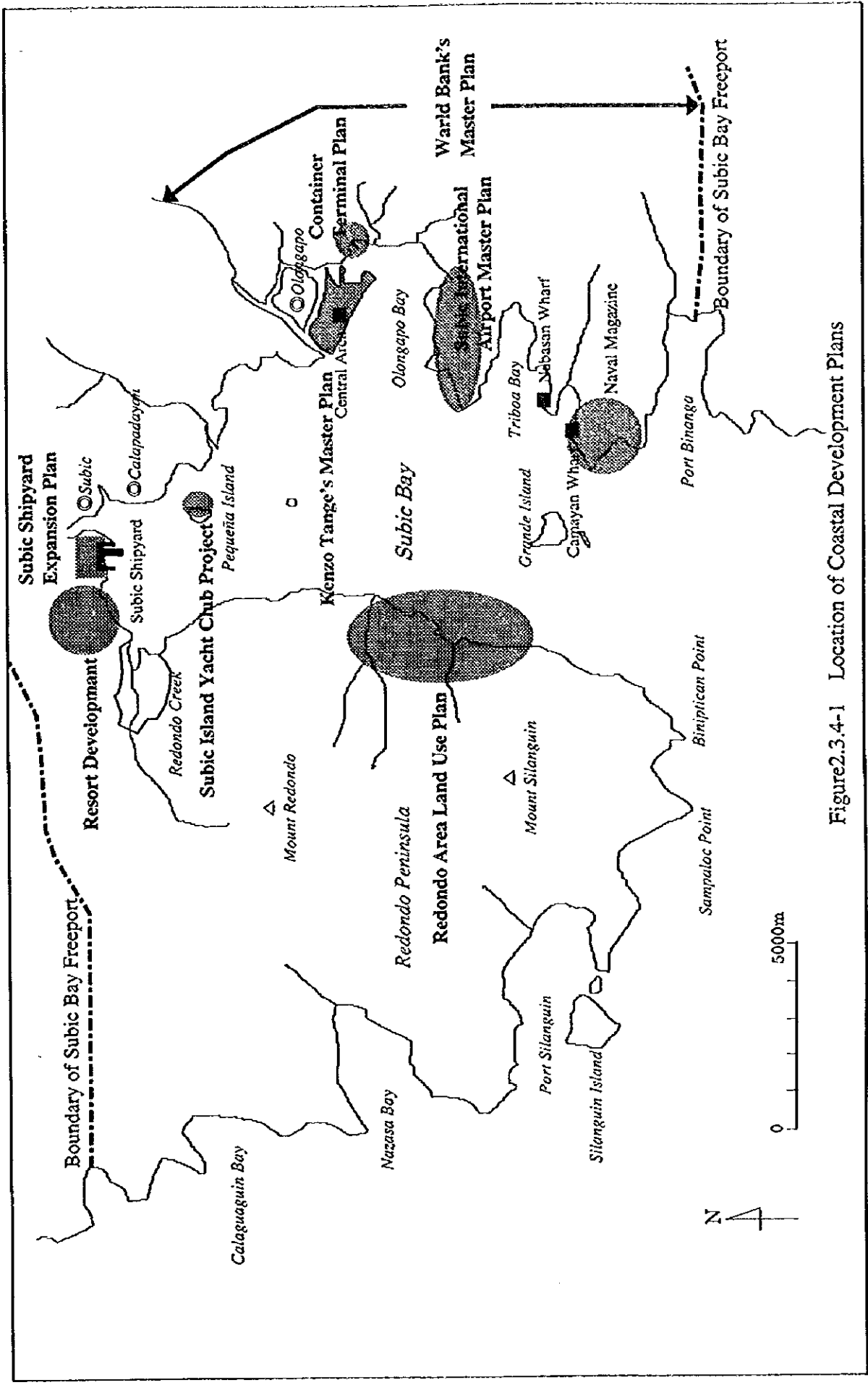


Figure 2.3.4-1 Location of Coastal Development Plans

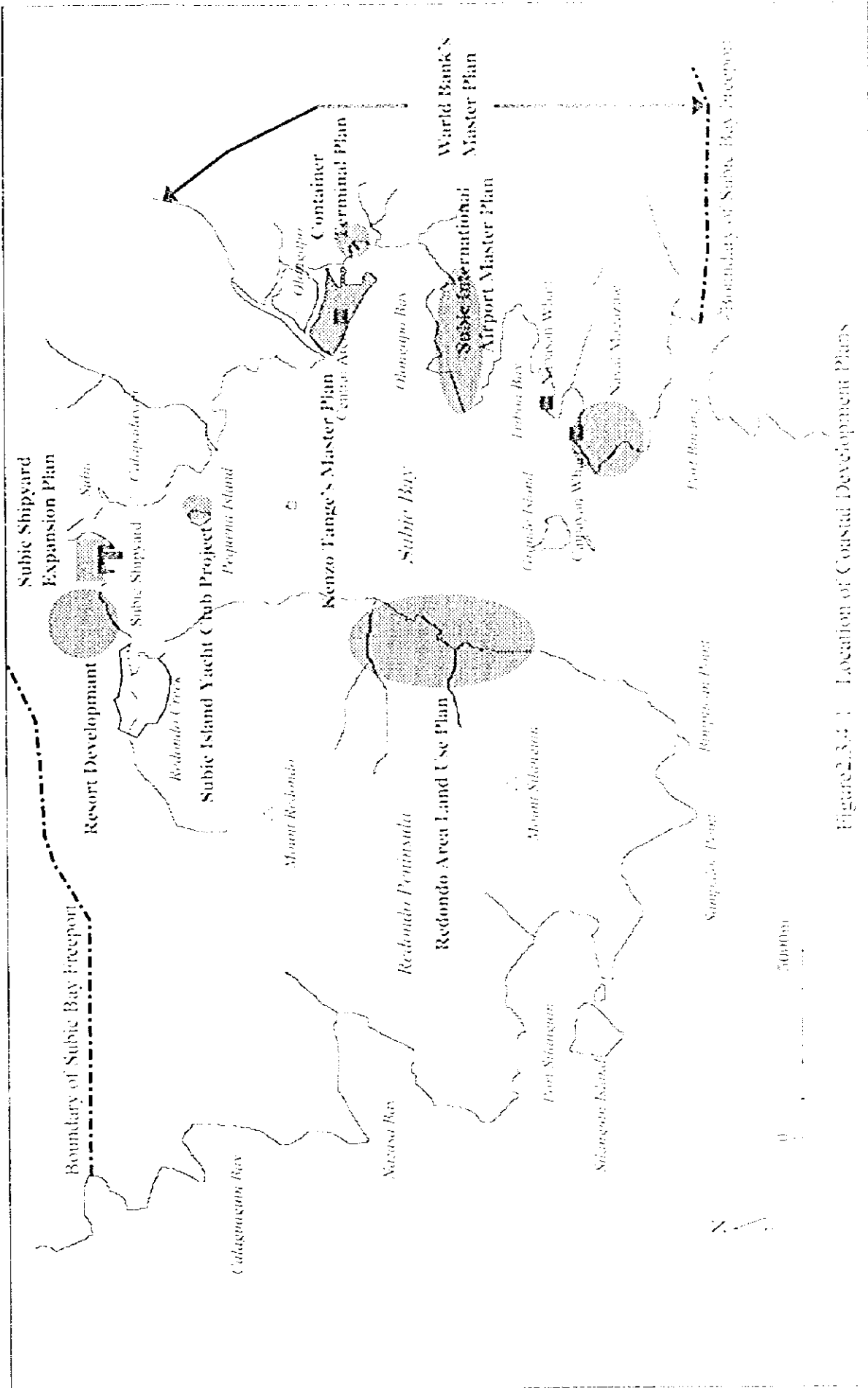


Figure 2.3.3-1 Location of Coastal Development Plans



### 3. Present Situation of Subic Bay Special Economic and Freeport Zone

#### 3.1 Organization Aspects

##### 3.1.1 Organization of SBMA

Fig. 3.1.1-1 gives the details of SBMA's current organization, including the functional names of each division, and the number of employees as of March 1, 1998.

SBMA is currently being run by about 5,100 people as a whole.

SBMA is cooperating with the Freeport Service Cooperation (FSC).

FSC is a subsidiary company of SBMA and the President of FSC, Mr. Yamin T. Moya serves concurrently as a SBMA Official. Fig. 3.1.1-2 gives the organization of FSC as of March 1, 1998.

The breakdown of the total number of 5,100 staff member is:

SBMA	1,573
FSC	3,529
	<hr/>
	5,102

For the breakdown of FSC employees, please refer to the Table 3.1.1-1

As is explained in Volume 3, chapter 4, the re-organization of the organization is in progress since the transferring of the SBMA administration.

In mid 1998, there was a transfer of the chairmanship of SBMA and since then there have been some changes in the organization and the component of the personnel of SBMA and FSC. The re-organization is in process and the latest organization chart which has been submitted to the board of directors meeting for approval is shown in Figure 4.5.1-1 " SBMA Organization Chart " of Volume 3.

The remarkable change is the increase of the permanent employees of SBMA. Under the previous administration, Only a quite limited number of the staff were regular or permanent employees of SBMA and the rest were either FSC employees or volunteers. The new administration is making them regular employees on condition that they meet the qualifications of the jobs. The total number of the employees of SBMA and FSC is still aimed at 5,000. However, the portion of SBMA is increasing from 1,573 to around 2,500, thus decreasing FSC personnel from 3,529 to some 2,500.

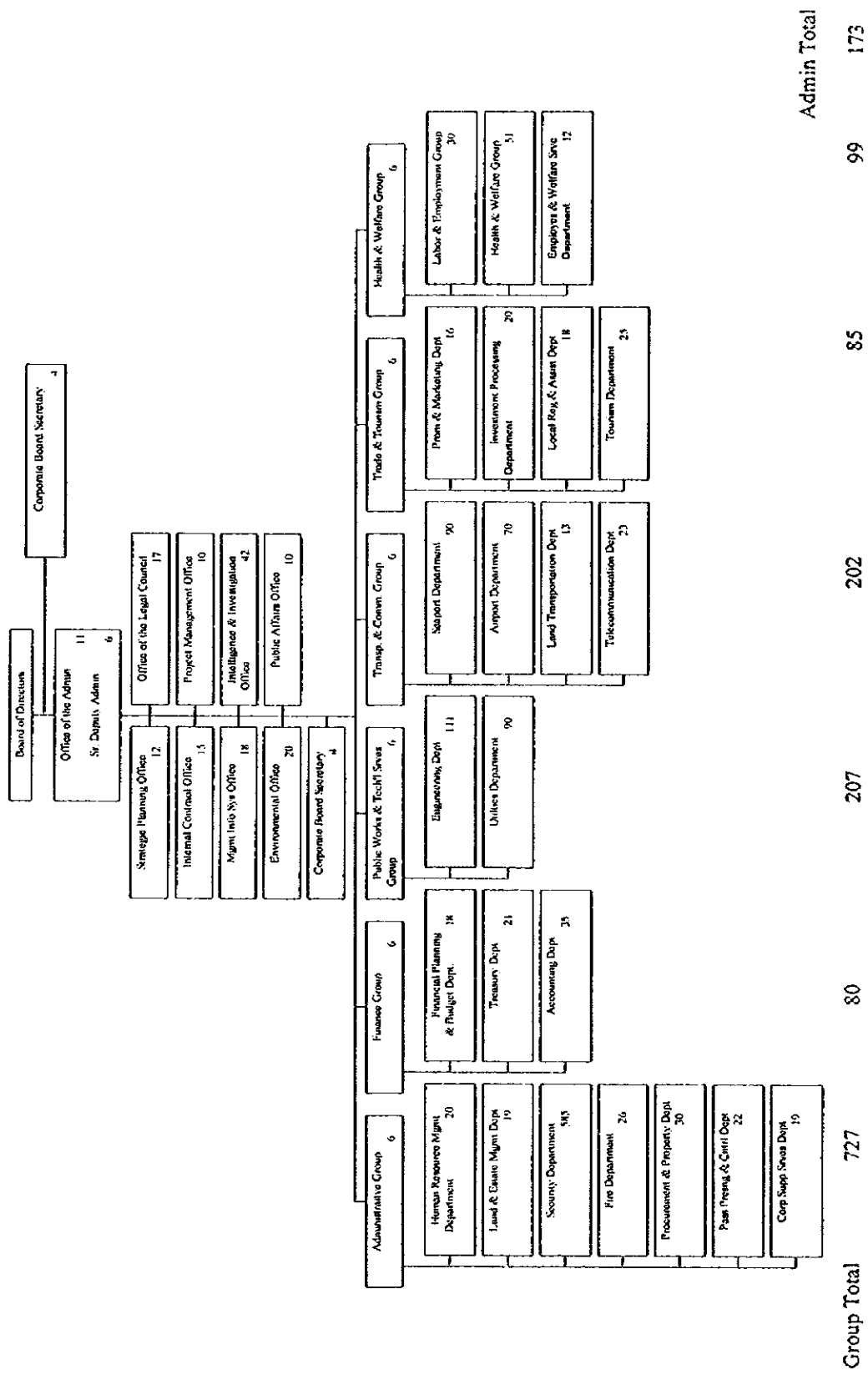


Figure 3.1.1-1 SBMA Existing Organization as of March 1, 1998

Source: SBMA Human Resource Management Dept.

Total SBMA 1573  
 FSC (estimate) 3529  
 Grand Total (estimate) 5102

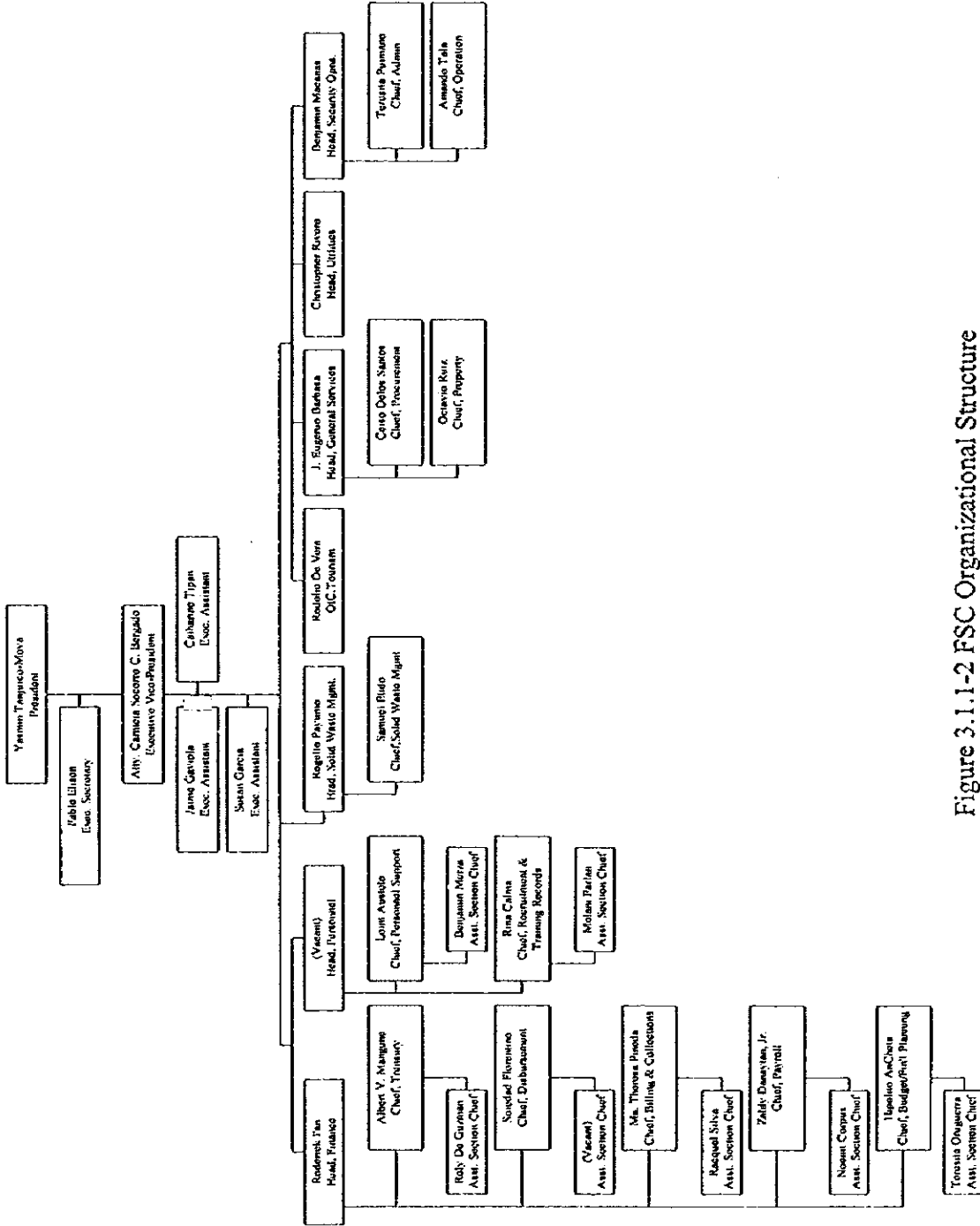


Figure 3.1.1-2 PSC Organizational Structure

Source: SBMA Human Resource Management Dept.



Table 3.1.1-1 Freeport Service Corporation

Total Number of Personnel per Department as of February 28, 1998

DEPARTMENT	TOTAL NO OF PERSONNEL
ADMIN/MAIL ROOM	5
AIRPORT	25
BALIKATAN (J.O./)Cleaning & Scavenger: Job Order	482
BEAUTIFICATION	32
CONSULTANTS	6
CORPLAN(Corporate Planning)	4
EWSD(Employee Welfare & Services Department)	6
FINANCE/TREASURY	1
FIRE	111
FOREST RAGER	80
HEALTH & WELFARE	44
IIO(Intelligence & Investigation Office)	18
ITS(Information Technology Services)	11
LABOR CENTER	36
LAND & ESTATE MGMT	9
LAND TRANSPORTATION	3
LAW ENFORCEMENT	78
MORONG	722
MORONG MONITORING	11
PAO(Public Affairs Office)	5
PASS. PROCESSING	61
PASTOLAN	142
PERSONNEL	1
PROCUREMENT & PROPERTY	40
PROJECT MONITORING	121
PWG/MAINTENANCE(Public Works Group)	222
PWG/TRANSPORTATION	74
PWG/UTILITIES	93
SEAPORT	105
SOLID WASTE MANAGEMENT	1
TELECOMMUNICATION	11
TOURISM	45
TRADE AND TOURISM	6
MIS(Management Information System)	1
<b>TOTAL</b>	<b>2612</b>

NON-BILLABLE DEPARTMENT	TOTAL NO, OF PERSONNEL
FSC ADMIN.	170
PHYSICAL SECURITY	611
SOLID WASTE MANAGEMENT	35
TOURISM	101
<b>TOTAL</b>	<b>917</b>

GRAND TOTAL

3,529

Source: SBMA Human Resource Management Department

### 3.1.2 Functions and Activities of SBMA

The Subic Bay Metropolitan Authority (SBMA) is a government owned and controlled corporation with a 1997 General & Administrative budget of P1.6B, currently employing around 5,000 people including FSC. It is primarily responsible for converting the property and infrastructure of the former United States Naval Base into Freeport Zone that is a self sustaining tourist, industrial, commercial, financial and investment center. It is currently engaged in the following businesses and public relations activity:

- Real Estate Development
  - Commercial Development
  - Industrial Park
  - Housing
  - Tourism Development
  
- Transportation/Communication
  - Seaport
  - Airport
  - Land
  - Electronic-CATV, Transpark, and Cybercity concepts
  
- Services
  - Utilities-Power, Water and Sewerage
  - Municipal Services-Security, Fire Protection, Ground and Facility Maintenance Services
  - Other Services-Health, Education and Training
  
- Information Technology (IT)
  - "Cybercity" Project
  - Cooperation with Industry Partners
  - Paperless (Electronic) Transaction

To improve the above activities, many measures have been applied. The followings are the highlights in each field.

#### (1) Investment and Sales

SBMA Board of Directors approved the "SBMA Strategic Plan" on April 27, 1997 in which the Commercial investment in SBF was projected as follows:

1997	US\$ 2,600,000,000-
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2000	4,000,000,000-
2005	6,000,000,000-

The latest available fig. to compare with the above is US\$1,037,960,479 as of Aug 4, 1995. Therefor, the target is high enough and more efforts will be needed for the sales promotion.

## (2) Industrial Park Development

The Subic Bay Development and Management Corporation (SBDMC), which received a US\$23.6 million loan to build the 320 hectare Taiwanese Industrial Estate in SBF, was incorporated on May 11, 1994.

The SBDMC is a joint venture between SBMA and a Taiwanese Developer (China Development Corporation).

The entire projects is expected to cost US\$100 million.

The first 120 hectares including factory construction has been completed as Phase I.

Forty six companies have contracted to locate at the Industrial Park.

Among the industries being attracted to the project are electronics manufacturing and assembly, vehicle assembly, Pharmaceutical manufacturing, software development and data processing, jewelry, garments, footwear, industrial and electrical equipment, and toy manufacturing. In addition to Filipino investment, there are also a lot of foreign investors from the following countries:

Taiwan, Germany, Hong Kong, Korea, Australia, Switzerland, Japan, America, France.

## (3) Tourism/Recreational Development

The Tourism Department of the Trade & Tourism Group is in charge of this field. The front-runner in this field is the Subic Bay Yacht Club (SBYC).

Developed by the Subic Bay Waterfront Corporation (SBWD), the club can be said to be the most attractive waterfront village in the Philippines.

Subic Bay area already has some attractive attributes required by resorts such as natural deep blue waters, fresh air and virgin forest.

Conference sites, hotels and various kinds of accommodations are abundant.

With the appropriate promotion of group tours, it is hoped that Tourism and Recreation will develop rapidly.

#### (4) Ecology Center and Environmental Policy.

The SBF is ideally situated. It has a deep natural harbor and is surrounded by mountain ranges.

It is therefore safeguarded from typhoons as well as from the effects of the eruption of Mt. Pinatubo, a volcano forming a part of the Zambales mountain ranges.

Around the Zone also is a forest reserve of thousands of trees and plant varieties.

These geographical peculiarities are the resources for the Tourism and Recreation.

SBF area, if successfully preserved, will become a symbol of the world-wide ecological movement.

In that sense, it is appropriate for SBMA to have its own Environmental office.

#### (5) Seaport Development

##### 1) Full Container Service

On Aug. 14, 1993, America President Lines (APL) began a regular biweekly calling service to serve investors in the SBF.

With effect from April 1, 1998, APL has been merged with Neptune Orient Line (NOL) and the new NOL is continuing a weekly service (Singapore - Hong Kong - Kaohsiung shuttle service)

Maersk Line inaugurated its Kaohsiung - Subic route in August, 1994.

The service frequency was once every two weeks for about two years and increased to a weekly service starting from Jan. 1997.

##### 2) Container Terminal Concession

The first attempt of "privatization" was made by SBMA in 1996.

On Feb. 12, 1996 SBMA made a public announcement of bidding for a container terminal project.

On Aug. 15 of the same year SBMA • PBAC (Pre-qualifications, Bids & Awards Committee) awarded the project to HPPL (Hutchison Port Philippines Ltd.). However, a long complicated legal dispute over the winning announcement continues to this day.

The concession case (Civil Case No.243-0-97) is in the hands of the Regional Trial Court of Olongapo - Branch 75.

It is hoped the court will reach a decision in due time, because in SBF as is in any other developing port, a container terminal is of critical importance.

#### **(6) Airport Development**

The Subic Bay International Airport (SBIA) was opened on April 30, 1995.

The SBIA is located about one hour and a half flying time from Taiwan and Hong Kong.

The runway can accommodate a 767 jet with respect to both the required length and pavement strength.

SBIA is now particularly famous for being the Asian hub of FedEx (Federal Express) FedEx chose to locate the centre of its Asian operations in SBF in preference over nine other major airports in Asia.

Air Philippines is authorized by the Civil Aeronautics Board (CAB) to operate scheduled flights between Subic - Manila - Iloilo - Bacolod and Tachoban.

Additional activity is being generated in the Airport by the operation of the Subic International Air Charter Inc. (SIACI). SIACI plans to provide air taxi services from Subic to any point in Asia.

Types of activities of SBIA are 1) Passenger-International and Domestic Flights, 2) Cargo/Freight Services ( by Federal Express ), 3) General Aviation.

Operation Airlines are as follows:

1) Air Asia – charter flights from Kuala Lumpur, Kuching, Subang, Penang, Malaysia

2) Cathay Pacific – charter flights from Hong Kong

3) China Southern – charter flights from Shenzhen, China

4) Far Eastern Air Transport – scheduled flights from Kaohsiung & Taipei, Taiwan

5) Federal Express – cargo and freight services

## 3.2 Infrastructure

### 3.2.1 Administration Buildings and Land Usage

Military bases are an example of infrastructure complexes that have been developed to meet the highly specialized requirements of military applications. As the World Bank Report of 1993 noted., there are several unique challenges to base conversion including:

- (1) Many structures are configured to meet security considerations and specialized military applications, and do not lend themselves easily to commercial applications.
- (2) Bases generally contain older buildings whose physical life has been artificially extended through high maintenance standards, which are very expensive to sustain by commercial operators. This frequently means that the physical life of many structures is limited and suitable only for short-term use.
- (3) The military base complex generally lacks internal lot and parcel boundaries, thus internal utility lines and existing road patterns may not be compatible with new uses. The existing road network is too extensive for industrial commercial purposes, and may actually hamper the rational sub-division of land.

Table 3.2.1-1 shows the details of land uses of the SBMA in hectares classified by business activities:

Table 3.2.1-1 SBFZ Land Uses ( Area in Hectares )

Activities	Total Allocation	Main Compound	NSD Area	Cubi Pt. Area	Naval Magazine	POL Area	Other Area
Industrial	310	49	117				44
Commercial	77	41		24			12
Tourism/Recreation	2,245	21		25	2,000		199
Residential	358	10		31			317
Transportation	325		29	285		11	0
Community Facilities	267	4		182			82
Special Areas	193			7		170	16
Utilities	68	4	11	34			19
Reserved for Future Use	16	16					0
Sub-total	3,859	145	157	588	2,000	181	689
Others *	2,741						

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Total Area                    6,600

Remarks : \* Roads, landscaped areas, green buffer outlying areas

Source: SBMA Land & Estate Dept.

### 3.2.2. Tourist and Residential Facilities

The SBF has tourist and residential facilities. Within the former Base are 1,876 housing units and three story, 80-to 100-room hotels, etc.

#### (1) Conference sites

The following conference sites are available:

George Dewey High School	Seating Capacity
Classrooms, Bldgs 1155/1101	40 persons
Mini-Theater Bldg 1102	180 persons
Gymnasium, Bldg 1150	800 persons
Building 737	
Conference Room	60 persons
Dining Room	60 persons
Station theater, Bldg 167	500 persons
Binician Community Center	120 persons

In addition, the following hotels and restaurants also have conference facilities

Crown Peak Gardens  
Subic International Hotel  
Pelican Seafood Restaurant  
Fisherman's Wharf

#### (2) Hotel Accommodations

##### SBMA-Operated

- SBMA Hotels  
Bldg. 281, 282

##### Privately-Operated

- Lower Mau Camp/Upper Mau Camp
- Crown Peak Gardens
- Legenda Hotel & Casino



- Grand Seasons Hotel & Casino
- Subic International Hotel
- Subic Homes

**(3) Housing**

The available types of housing are:

- Condominium type
- Villa-type
- Executive housing
- Low cost housing near industrial area

**(4) Sports Facilities**

- Tennis
- Badminton/Racquetball/Squash
- Basketball
- Softball/Football/Baseball
- Horseback Riding
- Aqua Sports

**(5) Sales Promotion Organization**

The Tourism Department is trying hard to sell SBF:  
So far they have been successful in attracting Taiwanese group tours.

**3.2.3 Seaport Facilities**

There are six distinct port facility areas as follows

- (1) Central Business Area:
  - a) Alava Wharf
  - b) Rivera Wharf
  - c) Bravo Wharf
- (2) The Naval Supply Depot ( NSD ) Area
  - a) Marine Terminal
  - b) Sattler Pier
- (3) Pol Pier ( for the fuel-oil production for the private sector )
- (4) Boton Wharf
- (5) Leyte Wharf
- (6) The Naval Magazine

- a) Navasan Wharf
- b) Camayan Wharf

For detailed information on the facilities, please refer to 4.2

### 3.2.4 Airport Facilities

SBIA (Subic Bay International Airport) is located about 47 nautical miles from NAIA (Ninoy Aquino International Airport) and about 1.5 hours-flying time from Taiwan and Hong Kong. The airport occupies an area of 435 hectares. It has a single runway with a length of 2,746 m and width of 61 m. The four parallel taxiways are connected to the runway by two cross-field taxiways.

There are three aprons known as the Main apron, the Boton apron and the Carrier wing apron. Both landings and take-offs are made over water. A 213m high hill is located about 5800m northeast of the end of the runway and approaches from or departures in that directions have a limited space in which to navigate. While the runway can accommodate a B767 jet, an Airbus A300B4 is restricted to landing with no more than 129,000 kg, gross weight due to the runway's pavement strength. However, the length of the runway allows a take-off weight of 160,000 kg. SBIA has navigational aids and a communication and meteorological system. It also has a Westinghouse ASR-9 radar system. The main particulars of the Airport are as follows:

#### Airport Particulars

##### 1) Aerodrome Data

Aerodrome Elevation	17.70m ( 58 ft ) AMSL
Operating Hours	24 h
Aerodrome Reference Point	Latitude: 14-47' -52" North Longitude: 120-16'-00" East
Site	Upper Midway Ramp
Reference Temperature	28.5 C
Aerodrome Category	Cat 7/9
Magnetic Variation	1.10 W

##### 2) Airport Terminal Facilities

In November 1996, a new 10,000sq.m. International Passenger Terminal opened. The terminal was formerly a US Naval maintenance hangar and comprises the following facilities:

Two Stem Air-bridges  
Fully equipped check-in with 8 desks and conveyor system  
X-ray and archway metal detectors  
CCTV  
Flight Information Display System  
Disabled passenger lift and comfort rooms  
1200 sq. m. of concession space  
Departure lounge ( 450 Seat Capacity )  
Restaurant area ( 150 Seat Capacity )

### 3) Air Traffic Facilities

Radar Approach Control  
Aerodrome Control Tower  
Flight Briefing Facilities

### 3.2.5 Other Facilities ( including highways )

#### (1) Power and Water Supply

The 116 MW power plant built by Enron Subic Power Corporation (SPC) under a BOT scheme with the Philippine Government's National Power Corporation was inaugurated by President Fidel V. Ramos in Feb. 1994. The plant is expected to provide continuous power supply to Subic and excess power supply to the rest of the country. The plant's operating personnel number 100. For the medium-term and beyond, the SPC power plant is essential to industrializing and commercializing the surrounding areas and the corridors leading to SBF. Enron SPC has also been operating the smaller 31.5 MW power plant of SBF since December 1992. The total generating capacity in SBF Zone is now 147.5 MW.

SBF has a water supply system and a sewage treatment system, which was constructed by the U.S.Navy. The water supply system capacity per day was 11.5 million gallons in U.S.Naval Base days. Subic Water (a joint venture of Bi Water Ltd., SBMA and the City of Olongapo) is now supplying 294 million gallons (66 million liters) of water per day.

#### (2) Communications

##### 1) Subic Telecommunications Co, Inc. (Subic Telecom)

On June 30, 1994, American Telephone and Telegraph Co. (AT&A) of the United States and the Philippine Long Distance Telephone Company (PLDT) signed a joint venture agreement to upgrade the telecommunication services for the SBF.

The 25-year agreement created Subic Telecom with AT&T and PLDT each contributing P 100

million representing a 40 % share for each company. The SBMA infused P 50 million and owns a 20 % share in the venture. Under the agreement, AT & T supplied a New type switch that linked SBF to an international network.

The initial 2,000 lines which were made available in Oct. 1994 have now increased to 100,000 lines.

## 2) Rimsat

International communications giant Rimsat Ltd. signed a 15 year agreement with the SBMA for the establishment of an Asian Satellite Operation Control Center.

Rimsat's local affiliate, Subic Bay Satellite Systems, INC, (SBSSI) will operate, control and monitor SBF will be a relay service station to provide commercial satellite services such as video uplink and relay service to Asia and other points of the world reached by Rimsat's micro-ware technology.

## (3) Ecology Preservation

### 1) Protected and Sensitive Areas

There are primarily three Proclaimed National Parks within the SBF and its neighboring area as follows:

- Bataan National Park which is within the municipalities of Hermosa, Orani, Samal, Abucay, Pilar, Balanga, Batac and Morong, Bataan. It was declared a National Park by virtue of Proclamation No.24 dated 01 December 1945 and had originally a land area of 31,400.00 hectares. Subsequent Proclamations have decimated the coverage of the National Park, the most recent of which is Proclamation No. 192 dated 27 November 1987 which reduced the land area of the Park to 23,688 hectares;
- Roosevelt National Park which is situated in the municipalities of Hermosa and Dinalupihan, Bataan. It was declared a National Park on 13 March 1933 by virtue of Proclamation No. 567 with a total land area of 1,485 hectares. Proclamation No.508 dated 17 December 1965 amended Proclamation No. 567 and reduced the extent of the Park to 1,334 hectares; and
- Olongapo Naval Base Perimeter within the City of Olongapo, Zambales as declared in Proclamation No. 478 dated 22 October 1968. The total land area of the
- National Park is 9.0 hectares.

### 2) State of the Environment

The existing ecological/environmental conditions prevailing in the SBF and its neighboring area is a direct result over time of a combination of various human activities such as slash and burn agriculture (Kaingin farming), permanent agriculture, commercial logging,

infrastructure development supplemented by natural causes such as storms, volcanic eruptions and the like. However, some patches within the area could still be considered relatively unspoiled, specifically the rainforest within the former Subic Bay Naval Base. Proper management of the resources would be of primary importance for sustainability.

#### (4) Housing

At the time of the transfer from the U.S.Navy in 1992, the housing situation was as follows;

Number of housing units ----- 900  
Total M<sup>2</sup> of housing-----343,866  
Total Land (Hectare) ----- 1,161

The latest figures reveal that housing units have more than doubled (1,876 units) and the total land is 3,859 hectares. The added houses are all newly built. The housing areas are surrounded by sports and recreational facilities such as an 18-hole golf course, theater buildings, gymnasium, a horseracing stable, bowling alleys, swimming pools, football fields, and parks.

Brent School opened its classes on Sept. 5 1994. The school's curriculum is basically U.S.-oriented and is directed toward the International Baccalaureate Program at Grades 11 to 12.

In addition to the above 1,896 housing units are the so called APEC villas in Cubi Point.

The 21 villa complex was used by the APEC leaders. The Mediterranean-style lodgings sit neatly on a 7.4-hectare property in upper Cubi Point overlooking the picturesque Triboa Bay.

#### (5) Hospital

Ex-Naval Hospital (90 beds) had been closed since the transfer in 1992, but was opened for the public in late 1997 as Subic Legend Health and Medical Center. There is another small hospital in SBFZ, Health & Welfare ( Dispensary ) on Dewey Avenue.

The following hospitals are located near-by SBMA:

- 1) Afable Medical Center ( Olongapo )
- 2) Alferos Hospital ( do )
- 3) Mother & Child Clinic ( do )
- 4) St. Jude Family Hospital ( do )
- 5) St. Teresita Health Center & Family Clinic ( Subic, Zambales )

The Department of Health (DOH) is the agency playing an important role in delivering basic health services to the people. The planning and implementation of health-related projects at the regional level used to be made solely by the Regional Health Field Offices. However, with the passage of the 1991 Local Government code, the responsibility of the basic health services was devolved to the Local government Units (LGUs) in line with the GOP is policy on local autonomy and decentralization, including manpower, facilities and funding resources.

DOH personnel (physicians, nurses, midwives, etc.) who had been working as a local officer or field officer at the local level were nominated and employed by the heads of LGUs. The health facilities located at the local level (Provincial hospitals, district hospitals, city hospitals, municipal hospitals, health centers and barangay health stations) are now being funded and administered by LGUs. For the case of the city of Olongapo, the City Health Board is the related LGU, and the chairman of the Board is the city Mayor.

#### **(6) Road and Highway System**

Regarding highway network surrounding SBMA, the World Bank Subic II Project ( Officially it is called "SECOND SUBIC BAY FREEPORT PROJECT/Loan 411-PH ") is going on.

The main project features are:

- 1) The section between Basin St. and Binictian Bridge ( mostly Rizal Highway ) to be improved
- 2) The section between George Dewey Avenue and Causeway Road ( Argonaut Highway ) to be improved
- 3) Cross section of George Dewey and Argonaut Highway to be signalized
- 4) Existing Binictian Bridge to be replaced with a new bridge
- 5) New two lane by pass road beginning from Benectican Bridge to Boton
- 6) Existing Boton Bridge to be replaced with a new bridge
- 7) The section between the Boton Bridge and Tarlac Road to be improved from two lane road to four lane road

The project is at the final stage of the detailed design and construction work will start around July/August, 1999 subject to the approval of the World Bank. The total budget of the Subic II is about US\$ 108 million and with the completion of the project it is expected that the access road system of SBMA to/from Manila and North/North-East hinterland will be improved substantially.

Also it is out-looked that the new by pass between Benectian Bridge and Boton Bridge will have a big improving effect on the waterfront traffic. Briefing of Subic I Project will be instructive for the better understanding of the total picture of the road network surrounding SBMA.

Basically, Subic I is a preparatory phase mainly for the modernization of SBMA organization and concluding the consultation contracts between SBMA and the consultants. Therefore, only two among 21 key issues are concerning the road network both of which are about Rizar Avenue Bridge at time of listing dated March, 1998. In other words, Subic II covers most of the road improvement project by the World Bank.

It is not clear at the time of reporting whether Subic III follows Subic II, however, as about half of the required road improvements in the area around SBMA have not yet been materialized, Subic III is hoped to follow.

Regarding the policy of developing the road and highway system in this region, it is worth noting that SBMA wishes to extend Subic beyond the hinterlands of Morong and San Antonio, Zambales to extend its influence and that of Clark to the entire Central Luzon region. This idea can jumpstart the Philippine economy, it is believed. In this regard, the construction work of the Subic-Clark Road is going to be a big subject for both SBMA and Clark ( Clark International Aviation Complex; CIAC ).

The interface with the Subic II Project in terms of the traffic volume outlook is important to both Projects, because the container terminals can not live alone but totally depend on the smooth traffic of containers in and out of the terminals. The highway network systems surrounding the terminals also depend on the container traffic to/from terminals.

Generally, the orthodox method to design road network is based on the outlook for the traffic volume. However, in this case of Subic, the outlook work is extremely difficult because the region has been an independent area as far as logistic movement is concerned and reliable data is quite limited. Therefore nearly all basic data are worked out through interview with experienced personnel in the related transportation business field and repeated discussions in the JICA Study Team.

It is desirable that the outlook work is repeated from time to time to amend the figure so that the change is reflected on the road design, however, in a real business transaction, it is

eventually impractical and once an outlook is made public, the figure walk around alone. Despite the precarious nature of the outlook, it is still significant and necessary to work out a prospect of the traffic for the future.

In this regard, just for a future reference, the outlook for the traffic between the terminal area and the Subic II Highway System in SBFZ area is shown in Table 3.2.5-1 ( Containerized Cargo ) and Table 3.2.5-2 ( Non-Containerized Cargo ):

Table 3.2.5-1 Traffic Volume Outlook between Terminal Area/Subic II Highway System ( Containerized Cargo )

Year	Total( TEU ) (assumed dest.wise share )	( Box )	SBFZ	Manila	Bataan	C.S.E.Z.etc.
			20%	10%	30%	40%
2000	88,000/year 7,350/month 250/day x 2	300/day	to/from 30/30	to/from 15/15	to/from 45/45	to/from 60/60
	( including Empty )					
2005	173,650/year 14,500/month 480/day x 2	580/day	60/60	30/30	80/80	110/110
	( - do - )					
2010	423,000/year 35,250/month 1,180/day x 2	1,540/day	150/150	70/70	230/230	310/310
	( - do - )					
2015	588,000/year 49,000/month 1,630/day x 2	2,060/day	200/200	100/100	310/310	410/410
	( - do - )					
2020	594,000year 49,500/month 1,650/day	2,140/day	210/210	100/100	320/320	430/430
	( - do - )					

Source: JICA Study Team

#### Remarks

- 1) to/from means to/from container terminal area
- 2) parity of container size:  
2000-2010 20' ( 30 % ), 40' ( 65 % ), 45' ( 5 % )  
2015-2020 20' ( 20 % ), 40, ( 70 % ), 45' ( 10 % )
- 4) seasonal change and daily/hourly concentration ratio neglected



Table 3.2.5-2 Traffic Volume Outlook between Terminal Area/Subic II Highway System  
( Non-Containerized Cargo )

Year	Tons	Trucks ( Unit ) 10 ton/unit	Bulacan 25%	N. Ecija 21%	Pampanga 26%	Tarlac 13%	Others 15%
2000	526,780	52,680/year 4,390/month 150/day	40	30	40	20	20
2005	424,430	42,440/year 3,540/month 120/day	30	25	30	15	20
2010	503,829	50,380/year 4,200/month 140/day	35	25	35	15	30
2015	594,368	59,400/year 4,950/month 170/day	45	35	45	20	25
2020	698,253	69,800/year 5,830/month 200/day	50	40	50	25	35

Source: JICA Study Team

Remarks:

1) Destination/Origin Figures are based on Population Share

In both Tables, the hourly distribution is not shown and it is assumed that the daily figures are subject to the following general tendency of the vehicle traffic:

- 1) Because the terminals will be operational 24 hours, the traffic to and from the terminals will also be all through the night.
- 2) However, because of drivers' working condition and economic restriction, the traffic in daytime will be slightly heavier than that of nighttime.
- 3) Also, with the same reason, the week-end traffic will be much lighter than that of weekdays.
- 4) Generally the export traffic to container terminals are strongly influenced by the closing time of the receiving operation of the export containers.

### **3.3 Present Institution and Systems of SBMA for Development in SBFZ**

#### **3.3.1 Philippine Ports Authority ( PPA )**

##### **(1) Latest Institutional Status of PPA**

PPA was founded in 1974 by Presidential Decree ( PD ) No. 505 dated July 11, 1974. Later in 1987, PPA was attached to the Department of Transportation and Communications ( DOTC ) for policy and program coordination by Executive Order ( EO ) of February 11, 1987. The latest institutional foundation of PPA is Mandate PD ( As amended ) of December 1995.

Section 6. a) stipulates the corporate duties of the PPA as follows:

- 1) To formulate in coordination with the National Economic and Development Authority ( NEDA ), a comprehensive and practicable Port Develop Plan or the State and to program its implementation, renew and update the same annually in coordination with other national agencies.
- 2) To supervise, control, regulate, construct, maintain, operate and provide such facilities or services as are necessary in the ports vested in or belonging to the PPA.
- 3) To prescribe rules and regulations, procedures and guidelines governing the establishment, construction, maintenance and operation of all other ports, including private ports in the country.
- 4) To license, control, regulate, supervise any construction or structure within any Port District.
- 5) To provide services ( whether on its own, by contract, or otherwise ) within the Port District and the approaches thereof, including but not limited to-
  - berthing, towing, mooring, moving, slipping or docking any vessel;
  - loading or discharging any vessel;
  - sorting, weighing, measuring, warehousing or otherwise, handling goods
- 6) To exercise control of or administer any foreshore rights of leases which may be vested in the PPA from time to time.
- 7) To coordinate with the Bureau of Lands or any other government agency or corporation in the development of any foreshore area.
- 8) To control, regulate, and supervise pilotage in the conduct of pilots in any Port District.
- 9) To provide or assist in the provision of training programs and training facilities for its staff or staff of port operators and users for the efficient discharge of its functions, duties and responsibilities.
- 10) To perform such acts or provide such services as may be deemed proper or necessary to carry out and implement the provisions of this Decree, INCLUDING THE ADOPTION OF NECESSARY MEASURES TO REMEDY CONGESTION IN ANY GOVERNMENT

**NECESSARY MEASURES TO REMEDY CONGESTION IN ANY GOVERNMENT PORT, AND IN COORDINATION WITH THE BUREAU OF CUSTOMS IN THE CASE OF PORT ENTRY ( As amplified by EO No. 513 )**

In summing up the above duties and rights of PPA, it is distinctive that PPA is a port administrative body as well as port operation body. This two-sidedness of PPA shades the port development of the country, although there are some understandable causes which have made PPA a dual natured organization. In the waterfront of the Philippines, PPA is a legislator, administrator and a justice.

Generally, one who tests others by examinations and one who answers examinations must be different, otherwise the examination system can not function. In this regard, it is to be welcomed that PPA has been changing gradually towards a port administration body.

**(2) Container Terminal under the PPA Port System**

An Administrative Order ( AO ) No. 06-95 of PPA dated December 4 1995 and issued following PD 857 specifies the detailed information regarding PPA's liberalized regulations on private ports construction, development and operation.

The AO was addressed to " All District Managers, Port Management Office ( PMO ) Managers, Private Port Owners/Operators and Others Concerned " and interprets PD 857 as follows:

QT Pursuant to Section 2 (a), (b), Art. II, Section 6 (a) (iii),(iv), (vi),(vii) Art. IV and Section 26 (a) Art. VII of PD 857, the revised Charter of PPA, as amended, as well as relevant provisions of Commonwealth Act 141, and in order to ensure coordination in the processing of applications to develop, construct and operate private ports, the following guidelines are hereby prescribed for the information of and compliance by all concerned.

**ARTICLE I – PRELIMINARY PROVISIONS**

**Section 1 – Scope**

This Order shall apply to all parties seeking for clearance to develop, permit to construct and/or operate a private port facility. It shall also specify the roles of PPA units and offices concerned in the processing, evaluation and approval of these applications.

**Section 2 – Definition of Terms ( omitted )**

**Section 3 – General Policy Statements ( omitted except 3.2 as follows )**

3.2 A private port facility may be established upon approval of the general proposal to develop such private port facility from the PPA. Private river ports, private non-commercial ports, and Marinas may be allowed construction at the level of General Manager, while all others will be subject to PPA Board approval.

**ARTICLE II – PROCEDURES ( omitted unless otherwise enumerated bellow )**

**Section 4 – Criteria for Evaluation**

**Section 5 – Clearance to Develop a Private Port Facility**

**Section 6 – PPA requirement on foreshore lease application**

**Section 7 – Application for Permit to Construct**

**Section 8 – Certificate of Registration/Permit to Operate New and Existing Private Pier Facilities**

**Section 9 – Cargo Handling Permit**

**Section 10 – Privilege Fee**

**Section 11 – Request for Improvement**

**Section 12 – Transfer of Operating Permit**

**ARTICLE III – COURSES OF ACTION ON EXPIRED FORESHORE LEASE/PERMIT**

**ARTICLE IV – MISCELLANEOUS PROVISIONS**

**Section 15 – Penalty Clause**

15.1 Violation of any of the provisions of this regulation shall subject the private port owner to the penalties enumerated under Section 43 of PD 857, as amended.

15.2 Private port facilities constructed without prior clearance and valid permit to construct issued by the Authority , but allowed PPA registration shall be subject to payment of penalty charges which shall not be less than P 20,000 in addition to the payment of the permit to construct fee.

Section 20 -- This Order shall take effect fifteen (15) days after its publication in a newspaper of general circulation. ( Effective December 30, 1995 ) UNQT

In this AD No. 06-95, PPA is declaring that all privatized waterfront businesses are under the complete control of the Authority and any privatization is subject to the prior application and due authorization. In this regard, to clarify the institutional status of SBMA in terms of privatization policy and regulations will become one of the most important questions.

### **3.3.2 Institutional Status of SBMA as stipulated in Republic Act ( RA )No. 7227**

#### **(1) SBMA Administration Policies**

**Section 12. SUBIC SPECIAL ECONOMIC ZONE of RA No. 7227 stipulates as follows:**

“ The Special Economic and Freeport Zone definition ( omitted )“

“ The above mentioned zone shall be subject to the following policies:

- (a) Within the framework and subject to the mandate and limitations of the Constitutions and the pertinent provisions of the LOCAL Government Code, the Subic Special Economic Zone shall be developed into a self-sustaining, industrial, commercial, financial and investment center to generate employment opportunities in and around the zone and to attract and promote productive foreign investments;
- (b) The Subic Special Economic Zone (SSEZ )shall be operated and managed as a separate customs territory ensuring free flow or movement of goods and capital within, into and exported out of the SSEZ, as well as provide incentives such as tax and duty-free importation's of raw materials, capital and equipment. However, exportation or removal of goods from the territory of the SSEZ to the other parts of the Philippine territory shall subject to customs duties and taxes under the customs an Tariff Code and other relevant tax laws of the Philippines;
- (c) The provision of existing laws, rules and regulations to the contrary notwithstanding, no taxes, local and national, shall be imposed within the SSEZ. In lieu of paying taxes, three percent (3%) of the gross income earned by all businesses and enterprises within he SSEZ shall be remitted to the National Government, one percent (1%) each to the local government units affected by the declarations of the zone in proportion to their population area, and other factors. In addition, there is hereby established a development fund of one percent (1%) of the gross income earned by all businesses and enterprises within the SSEZ to be utilized for the development of municipalities outside the City of Olongapo and the Munucipality of Subic, and other municipalities contiguous to the base areas. In case of conflict between national and local laws with respect to tax exemption privileges in the SSEZ, the same shall be resolved in favor of the latter.

(d) through (i) is omitted.

**(2) Powers and Functions of SBMA**

**SECTION 13. THE SUBIC BAY METROPOLITAN AUTHORITY** is specially written for SBMA as follows:

- (a) Creation of The Subic Bay Metropolitan Authority – A body corporate to be known as the Subic Bay Metropolitan Authority is hereby created as an operating and implementing arm of the Conversion Authority
- (b) Powers and Functions of The Subic Bay Metropolitan Authority – The Subic Bay Metropolitan Authority otherwise known as the Subic Authority, shall have the following powers and functions:
1. To operate, administer, manage and develop the ship repair and ship building facility, container port, oil storage and refueling facility and Cubi Air Base within the Subic Special Economic and Freeport Zone as a free market in accordance with the policies set forth in Section 12 of this Act;
  2. To accept any local or foreign investment, business or enterprise, subject only to such rules and regulations to be promulgated by the Subic Authority in conformity with the policies of the Conversion Authority without prejudices to the nationalization requirements provided for in the Constitution;
  3. To undertake and regulate the establishment, operation and maintenance of utilities, other services and infrastructure in the SSEZ including shipping and related business, stevedoring and port terminal services or concessions, incidental thereto and airport operations in coordination with the Civil Aeronautics Board, and to fix just and reasonable rates, fares, charges and other prices thereto;
  4. To construct, acquire, own, lease, operate and maintain on its own or through contract, franchise, license permits bulk purchase from the private sector and build-operate-transfer scheme or joint-venture the required utilities and infrastructure in coordination with local government units and appropriate government agencies concerned and in conformity with the existing applicable laws thereto;
  5. To adopt, alter and use a corporate seal; to contract, lease, sell, dispose, acquire and own properties, to sue and be sued in order to carry out its duties and functions as provided for in this Act to exercise the power of eminent domain for public use and public purposes;

6. Within the limitation provided by law, to raise and/or borrow the necessary funds from local and international financial institutions and to issue bonds, promissory notes and other securities for that purpose and to secure the same by guarantee, pledge, mortgage, deed of trust, or assignments of its properties held by the Subic Authority for the purpose of financing its projects and programs within the framework and limitation of this Act;
7. ( omitted )
8. ( omitted )
9. ( omitted )
10. To adopt and implement measures and standards for environmental pollution control of all areas within its territory, including, but not limited to all bodies of water and to enforce the same. For which purpose the Subic Authority shall create an Ecology Center; and
11. To exercise such powers as may be essential, necessary or incidental to the powers granted to it hereunder as well as to carry out the policies and objectives of this Act.

**(3) SBMA's Relationship with the Conversion Authority**

One Section is explicitly assigned to the relationship with the Conversion Authority and the local governments units as **Section 14. RELATIONSHIP WITH THE CONVERSION AUTHORITY AND THE LOCAL GOVERNMENTS UNITS.**

- (a) The provisions of existing laws, rules and regulations to the contrary notwithstanding, the Subic Authority shall exercise administrative powers, rule making and disbursement of funds over the SSEZ in conformity with the oversight function of the Conversion Authority
- (b) In case of conflict between the Subic Authority and the local government units concerned on matters affecting the SSEZ other than defence and security, the decision of the Subic Authority shall prevail.

It is to be noticed that in RA 7227, SBMA is referred as Subic Authority and SBFZ ( Subic Bay Freeport Zone ) as SSEZ ( Subic Special Economic Zone ).

In perusing the related laws and regulations such as RA-7227, PD-857 and AO-06-95, it is observed that SBMA is independent from PPA and subject to the conformity with the oversight function of the Conversion Authority and the nationalization

requirements provided for in the Constitution.

In terms of the theory of organization, SBMA has almost all rights of doing any business and this is the strong point as well as the weak point of SBMA. Therefore it is necessary for SBMA to select its own field of activities including its duties and responsibilities out of the authorized rights defined in RA-7227. By doing so, SBMA can encourage the private sector without monopolizing waterfront businesses. In the following sub-section, the construction and administration of container terminal is chosen as one of the desirable field of SBMA.



### **3.4 Present Issues for Port Development, Management and Operation**

#### **3.4.1 Container Terminal under the PPA Port Systems**

##### **(1) Containerization in the Philippines**

Containerization in the Philippines started in Manila in 1971. Until its closing in 1978, all of Manila's international container traffic was handled by the South Harbor. To cater for this demand, the piers 3 and 13 were officially designated as container piers. The container handling gantry cranes were installed, but they were not efficiently used because the South Harbor had not been designed and built for container handling operation. During the course of operation, many problems emerged and it became clear that the South Harbor could not cope with the increasing volume of containers.

The impact of containerization, although initially affecting only the foreign trade traffic, soon spread among the country's domestic inter-island trade. By 1997, foreign trade containers were being handled in six container terminals and 18 local port terminals spread all over the country. It should be noted to be noticed that the foreign trade containers have overflowed from Manila to Cebu.

The domestic containers, on the other hand, are now being handled in the ports of Davao, Iloilo, General Santos, Cagayan de Oro, Iligan, Surigao and Zamboanga aside from Manila and Cebu.

##### **(2) The Manila International Container Terminal (MICT)**

Realizing the necessity and importance of providing for adequate facilities and container handling equipment to meet the needs of quick development of containerization, PPA decided to pursue several projects to prepare key container terminals in Manila.

The central government, through PPA, constructed and developed MICT in line with its aim to transform Manila into a hub port for containers destined for Asia, the Far East and other parts of the world. The MICT facility is located just north of the mouth of Pasig River off Pier 2 of the North Harbor, and the total terminal area is 150 acres.

##### **(3) International Container Terminal Services Inc. (ICTSI)**

to promote the efficiency in providing necessary port services, PPA invited the private sector to participate in the management and operation of MICT. The award of MICT to a

private firm is in line with PPA's pilot project in the privatization of ports.

ICTSI, a consortium of private firms ( Anscor Ltd. And Razon, Inc. ), manages and operates MICT in consonance with a 25 year contract with PPA starting June 12, 1988. The terms and conditions of the Management Contract ensure the entry of much needed investment from the private sector that is necessary to improve container handling efficiency and promote quick dispatch of container vessels.

At present, MICT is the country's premier container terminal and its container handling numbers reached two million in 1997. Effective 1998, ICTSI as terminal operator has been allowed by PPA to handle bulk and non-containerized cargoes at MICT.

#### (4) PPA Management and Supervision over Port Operators

The contract between PPA and ICTSI is a facility management contract and ICTSI is a kind of agent who manages and operate MICT for PPA. It is not a container terminal leasing contract in which a lessee has a right to do business at his own discretion.

PPA ( Port District of Manila ), therefore, retains supervisory and regulatory role in the entire duration of the Management Contract. Likewise, PPA manages and supervises over all port operators with the following policies and guidelines:

##### 1. PPA Port Operation Policies

Port regulations, policies and guidelines on container operations and other non-containerized cargo are reviewed and updated regularly to keep the agency responsive to the changing demands and needs of the port users. Every year, the PPA issues circulars and orders to clarify, amend, revoked or further define existing PPA rules and regulations.

##### 2. PPA Memorandum Order No. 89

The caption of the Order is " Guidelines in the Implementation of Vessel Operation Commitment ( VOC ) between Authorized Cargo Handling Contractor and Vessel Owner/Agent ".

According to PPA, VOC was introduced in order to promote and maintain efficient and effective cargo handling operations and ensure faster turn-around time of vessel in every port. A VOC for providing vessel and cargo handling operations between the authorized cargo handling contractor and vessel owner/agent is required in all PPA ports and for this purpose a form of VOC-01 was introduced and is presently in use.

VOC-01 shall be prepared by contractor and vessel owner/agent for all regular/liner vessels ( domestic and foreign ), as well as tramp or foreign vessels without scheduled runs calling a port, and be submitted to the respective Port Management Office ( PMO ) or Terminal Office ( TO ). The Port Manager shall submit copies of all VOC in his PMO to the Administrative General Manager ( AGM ) for Operation and the Port District Office ( PDO ).

#### (5) PPA Port Tariff

PPA established PPA Port Tariff No.1 in 1976 when it was created by PD No. 505 and basically maintaining the original structure of the first tariff and since then has revised the tariff increasing the rates every two to three years.

PPA Port Tariff consists of “ Seaport Charges “ and “ Cargo Tariff “, Each section has following contents:

##### Seaport Charges Section

- 1.Pilot Fee
- 2.Tug Services
- 3.Charge on Vessels ( Harbor Fee, Berthing Fee, Anchorage Fee, Line Handling, Terminal
- 4.Fee for Passenger )
- 5.Charges on Cargoes ( Wharfage Fee, Storage Fee )
- 6.Storage Charges of Chassis
- 7.Charges for Water Supply
- 8.Charges for Harbor Cleaning Maintenance

##### Cargo Tariff

1. Containerized :A. Vessel Charges-Stevedoring  
B. Cargo Charges-Arrastre/Longshoring  
C. Crane Usage Fee  
D. Stripping/Stuffing
2. Conventional: A. Vessel Charges-Stevedoring  
B. Cargo Charges-Arrastre  
C. Roll-On Roll-Off Charges
3. Miscellaneous Charges
4. Other Manpower Charges
5. Application of Charges ( Interpretation of Tariff )

#### (5)PPA's Income Sharing Scheme

handlers' income in the form of Fixed Fees AND Variable Fees.

The types of PPA sharing on operators' income from cargo handling operations are as follows:

#### Percentage Government Share

Not less than ten (10 %) of the gross income billed from domestic cargo handling operations and not less than twenty (20 %) from foreign cargo handling operations.

#### Fixed and Variable Fees

A fixed fee based on the highest government share paid by the contractor to PPA for the past three years plus ten (10 %) add-on; and a variable fee equivalent to ten (10 %) computed monthly on income derived from the cargo volume exceeding the highest annual cargo traffic of the contractor for the past three years, plus five (5 %) add-on said cargo traffic.

#### Revised Fixed Fee

The amount equivalent to the highest record and audited government share paid by the cargo handling contractor for the last three years, plus a ten (10 %) add-on for the first contract year, with a five (5 %) yearly increase compounded annually starting from the second year until the 8<sup>th</sup> year of the contract

### **3.4.2 Present Issues of SBMA in Port Administration**

#### **(1) Review of Institutional Framework and Function**

As is explained in detail in 3.3.1 and 3.3.2, SBMA is an independent organization with full rights to perform or entrust any kind of business in SBFZ. It is observed, however, that SBMA has adopted, intentionally or unintentionally, the practices of PPA and the US Navy.

SBMA is a completely different body from PPA and the US Navy. SBMA is one of the GOCCs ( Government Owned and Controlled Corporation ) with its own charter. While PPA is responsible for all the ports in the country, big or small, national or local, as a governmental administrative body, SBMA is responsible for the management of the Port of Subic. While the US Navy is a military organization, SBMA is a civilian organization.

SBMA has never been defined as a port management body, but defined only as being a self sustaining GOCC, with many functions and responsibilities including a port management as one of them. Most of the Seaport Department staff seem to be behind times, still carry out

still carry out their duties as if it were the old Navy days.

It is necessary for SBMA to review and streamline the organization from the view point of the new charter to survive the hard competition among world ports.

## (2) De-Regulation of the Port Usage Procedure

To survive the severe competition among world ports, especially that of container terminals, a port management body as well as an operator has to put the “ customer first “, otherwise users of a port will switch to another port sooner or later.

As is explained in 3.4.1-(4), PPA is requesting all authorized cargo handling contractors and vessel owners/agents to prepare and submit a VOC ( Vessel Operations Commitment ). This procedure is quite a peculiar one and not observed in advanced countries. It is obvious that this procedure will gradually fade away as the development of economy and privatization progress.

In the guidelines of VOC, PPA instructs in Memorandum Order No. 89 as follows:

“ This order prescribes the guidelines and procedures in the preparation and execution of a vessel operations commitment between the cargo handling contractor and vessel owner/agent concerned, and its implementation, monitoring and evaluation by the PMO ( Port Management Office )/ PDO ( Port District Office ) of said agreement. It shall be applicable to all base ports, sub-ports and other PPA managed ports where its implementation can be properly monitored and evaluated.”

The above guidelines is eloquent of the basic attitude of PPA that it is an administrative organization to monitor and evaluate the activities of the ports in the Philippines. Although it does not necessarily mean that PPA is bureaucratic, it can be said that PPA is not “ customer first “ oriented.

Whether a vessel calls at a port and loads or unloads cargo at the port is a result of many commercial activities and not to be committed to any economic body at any moment of the business transaction. If any shipping line or cargo handler intentionally declare falsely the necessity of operation and give damage to any third party, the shipping line or cargo handler should be punished according to laws and regulations concerned or through the reputation in the field. That is a free and democratic economy.

In this regard, SBMA also has some port procedures to deregulate or to simplify to transform from an ex-US Naval Port to a commercial port. For instance, SBMA Seaport Department is still chairing a “ Pre-arrival Meeting “ as is explained in 4.1.5 (2), which mixes

up the responsibilities of SBMA ( Port Management Body ) with stevedoring companies

### (3) Demarcation of the Boundary of SBMA with the Customs Service

Because of its very special historical background as an ex-US Naval Base which was under extra-territorial jurisdiction, SBMA from the start was equipped with all round rights and tools just like a small independent country. Old base was expected to fulfill its ordered job at any time at any cost.

That was the military way and as long as Subic was a Naval base, it was rightly considered an excellent base, but now that Subic must change to a commercial port, it is necessary to review, re-define SBMA's duty and responsibility.

For example, the clear demarcation of the boundary with the Customs Services is necessary. Because of the expression of RA 7227, Section 12 (h) below, it is observed that SBMA feels full responsibility of securing cargo even in the field of the Customs.

“ The defense of the zone and the security of its perimeters shall be the responsibility of the National Government in coordination with the SBMA. The SBMA shall provide and establish its own internal security and fire-fighting force.”

At present, all five gates are guarded by SBMA Police not by the Customs. If in fact SBMA Police is mainly concerned with its internal security and the Customs Service is responsible for right collection of the customs duties and taxes, the arrangement of the security system needs to be reviewed.

Another point which must be clarified regarding the Custom Service is selling of seals of containers by SBMA Seaport Department. At the window No.9 of the Seaport Department, an anti-pilferage seal is sold at P 50 and about 50 seals are reportedly sold daily. A seal of container, needless to say, is an important part of container which can not be handled and sold separately from the container itself.

Those seals are supplied by a container operator together with containers when those empty boxes are forwarded to shipper's factory or warehouse and they must never be sold. Any container, once sealed, can not be opened until it reaches the final destination point. The only exceptional case is when Customs have cause to order a box to be opened for inspection of its contents.

SBMA is not a container operator and neither responsible for pilferage of cargo as far as the cargo is inside a container. If a foreign trade container or cargo is stolen while they are in custody of SBFZ, it is basically the responsibility of the Customs while SBMA is responsible

for the security of the Zone as in a general robbery case.

**(4) Demarcation of the Boundary of SBMA with Private Sector**

There are about 44 men in the Seaport Department working as tally men at the waterfront of Subic. Also there are many men working as guards and checkers. These fields are appropriate for being privatized and it is proposed to leave them to the private sector in 4.7.1-(1) of the volume 3 Feasibility Study ( New Seaport Department, What to do and What not to do ).

As an ex-US Naval base, the prototype of SBMA used to have all functions necessary at its own cost and discretion, and it was not necessary to foster the waterfront business such as freight forwarders, warehouse owners/operators, sworn measurers, cargo tally men and ship agents etc.. For instance, tally of ammunition is generally not needed, because accurate supply and reception of those goods is a military duty itself. If tally is inaccurate, it is a receiver that suffers and it may result in a military defeat.

Pilot and tug boat services were also a part of the indispensable functions of the Base and that is why there are some companies of the service in Subic. At present, users are ordering and paying the charges as per the Port Tariff to SBMA.

However, it will become necessary in the near future for both SBMA and users to leave the businesses to the direct negotiation of the concerned parties, namely between users and pilot/tug boats, because there is no necessity for SBMA to intervene in those businesses from the stand point of port management and administration

**(5) Facility Management Contract/Facility Lease Contract**

Another field where the demarcation is necessary is operation of container related facilities such as Van Pool and CFS ( Container Freight Station ). For example, the NSD, Compound is used as Van Pool by all users of the Port and yard operation is done by vessels arrastre operators. However, the administration responsibility of the Compound is on the shoulder of SBMA.

In a case like such as above, facility is usually consigned to an operator either by a facility management contract or a facility lease contract and the operator is fully responsible for the result. It is typical to separate ownership and usage of a facility.

The difference of a facility management contract and a facility lease contract is that the latter is more free and independent but severer than the former. In a case of a facility management contract like that of PPA, the facility is designed and constructed by a consignor

( example PPA ) and a consignee manages the facility within the limitation of a made up hardware and layout, thus, it is basically the consignor who suffers when business goes wrong. The consigned operator is not responsible for the result of management if it is in line with the stipulations of the contract.

On the other hand, in a case of a facility lease contract, a lessor takes full responsibility for the result of a contract once it is signed and lessor ( example SBMA ) is not concerned with what happens to the lessee.

Which contract is better is a big question and in order to choose it is important to analyze the local peculiarity and degree of containerization in the region.



### **3.5 Financial Status**

#### **3.5.1 Outline**

##### **(1) Fiscal Year**

The fiscal year of SBMA is from January 1 to December 31.

##### **(2) Regulations**

The financial procedures are regulated by the "Government Accounting and Auditing Manual" which was made by the Commission on Audit.

##### **(3) Financial Independence from National Government**

The SBMA's financial relationship with the National Government is limited.

###### **1) Cash Contribution by the National Government**

The RA 7227 provides as follows.

"Cash contribution by the Government in the amount of Three hundred million (P 300,000,000) a year for the next three (3) years, which is hereby appropriated out of any fund in the National Treasury not otherwise appropriated."

As a practical matter of fact, SBMA received only 766 million pesos from the National Government from 1992 to 1994. But in 1997, the National Government contributed 51 million pesos. The total amount of the contribution was 817 million pesos.

###### **2) Provision for Dividend to National Government**

RA 7656 prescribes that 50% of the net income of a public cooperation must be contributed to the National Government. SBMA also provided 1 million pesos, 50% of its net income, to the National government in 1997.

#### **3.5.2 Examination of the Present Financial Condition**

##### **(1) Balance Sheet**

Overall, the Balance Sheet from 1992 to 1997, should little change for each item. The

greater part of assets is fixed assets. From 1994 to 1997, long-term liabilities increased year by year in the liability and capital part, comprising 12.1% of all liability and capital in 1997.

## (2) Income Statement

Income Statements made by SBMA are not divided into operating income and non-operating income.

### 1) Revenues

Total revenues increased year by year. Over 50% of total revenues were generated by the revenues from leases. Other operating revenue including the revenues from seaport was the next largest revenue source.

Interest revenues also increased to 55 million pesos in 1995, 87 million pesos in 1996 and 113 million pesos in 1997. This revenues accounted for about 30% of the other operating revenues and 7% of all revenues from 1995 to 1997.

### 2) Expenses

Total expenses also increased year by year.

Personnel cost increased from 1992 to 1995. In 1996, the expenses decreased drastically. Though the personnel cost increased slightly from 1996 to 1997, this level has generally been maintained. In 1992, the personnel cost occupied 40% of all expenses. This rate dropped to 30% from 1993 to 1995 due to an increase in other expenses. In 1996, the rate has been to 13%, and this level has been maintained in 1997.

Maintenance and Other Operating Expenses also increased. In 1995, the depreciation of fixed assets, a main item of maintenance and other operating expenses, represented 240 million pesos which was 33% of all expenses. In 1997, the amount was 347 million pesos or 22% of all expenses.

The Power Supply is also one of main items of the Maintenance and Other Operating Expenses. This expense increased suddenly from 1995 to 1997. In 1995, the amount was 70 million pesos which was 9% of all expenses. In 1997, the amount was 309 million pesos or 19% of all expenses.

Interest expenses increased year by year, reaching 61 million pesos in 1995, 89 million pesos in 1996 and 91 million pesos at the end of November, 1997. From 1995 to 1997, interest payments have been fixed at about 8% of all expenses.

Repair and Maintenance expenses for the facilities was 8 million pesos in 1995, 16 million pesos in 1996 and 12 million pesos at the end of November, 1997. Repair and maintenance accounted for about 1% of all expenses from 1995 to 1997.

### 3) Income

Though the revenues of SBMA increased from 1992 to 1996, the expenses also increased. From 1992 to 1996, net income before tax was in the red. But in 1997, a profit was shown.

Table 3.5.2-1 Balance Sheet of SBMA (1992 - 1997)

	1992	1993	1994	1995	1996	1997
<b>Assets</b>						
Current Assets	77,494,809.00	410,758,018.56	865,747,414.00	1,582,029,497.02	1,694,883,406.32	2,034,616,104.32
Long-term Investment		39,722,196.34	12,810,222.00	8,085,325.00	53,930,540.00	30,817,630.00
Miscellaneous & Deferred Assets		19,009,360,574.77	19,260,335,493.00	19,766,849,948.71	20,730,175,493.51	20,733,725,795.62
Total Fixed Assets(Net of Depreciation)	196,587,062.00	19,459,841,389.67	20,138,893,129.00	21,356,684,468.73	22,438,969,369.63	22,799,159,519.94
<b>Liabilities and Capital</b>						
Current Liabilities		93,164,133.34	67,326,695.00	156,236,528.26	540,525,534.00	523,363,257.34
Long-term Liabilities		8,104,126.00	485,249,677.00	1,845,949,675.87	2,405,764,124.70	2,740,131,188.69
Total Liabilities		8,104,126.00	582,375,812.34	1,802,186,202.13	2,946,289,658.70	3,263,494,446.03
Capital	210,965,650.00	19,559,865,498.00	19,866,792,498.00	19,866,792,498.00	19,866,792,498.00	19,917,815,498.00
Paid-in Capital	500,000.00		7.00		7.00	9.00
Donated Capital						
Retained Earnings	-22,989,714.00	-203,188,241.67	-290,474,041.00	-312,014,238.40	-380,002,788.87	-382,159,633.09
Total Capital	188,075,936.00	19,356,677,256.33	19,586,318,457.00	19,554,778,259.60	19,486,699,711.13	19,535,665,874.91
Total Liabilities and capital	196,587,062.00	19,459,841,389.67	20,138,893,129.00	21,356,684,468.73	22,438,969,369.63	22,799,159,519.94

Source: SBMA

Table 3.5.2-2 Income Statement of SBMA (1992 - 1997)

	1992	1993	1994	1995	1996	1997
<b>Revenues:</b>						
Leases:	0.00	146,025,694.95	311,743,375.00	485,075,479.82	616,384,807.17	841,213,580.87
Tourism	135,700.00	27,156,132.82	66,171,722.00	62,312,951.21	27,178,635.33	101,840,648.59
Public works/services	4,891,558.00	19,558,776.51	32,501,993.00	46,651,036.28	181,078,231.43	298,802,733.89
Other Operating Income	818,740.00	35,260,748.95	67,036,227.00	157,090,523.70	241,419,148.31	408,187,817.78
Total Revenues	5,845,098.00	228,001,351.23	417,453,277.00	721,039,991.91	1,066,000,822.74	1,611,044,781.13
<b>Less General and Administrative Expenses:</b>						
Personnel Services	11,597,449.00	93,802,339.31	179,891,568.00	207,774,355.26	152,655,660.71	166,303,301.41
Maintenance & Other operating expenses	17,238,263.00	318,941,878.45	369,213,194.00	544,426,565.12	989,720,744.86	1,433,311,408.21
Total General & Administrative Expenses	28,835,712.00	412,744,217.76	549,104,762.00	752,200,920.38	1,142,376,405.57	1,599,614,709.62
Net Income/Loss before Tax	-22,989,714.00	-184,742,866.53	-127,651,473.00	-31,160,929.37	-78,375,582.83	11,430,071.51
Less Provision for Income Tax	0.00	0.00	1,531,358.00	3,630,054.00	5,616,371.00	9,301,552.00
Net Income after Tax	-22,989,714.00	-184,742,866.53	-129,182,831.00	-34,790,983.37	-83,991,953.83	2,128,519.51
Provision for Dividend to NC						
Prior Period Adjustment		4,544,336.58	-4,102,968.00	3,250,785.99	13,853,398.86	-1,064,258.76
Result of this Year	-22,989,714.00	-180,208,529.95	-133,285,806.99	-31,540,197.38	-70,138,554.97	-3,121,898.37
Source: SBMA						



## **4 Existing Situation of Subic Bay Freeport**

### **4.1. Port administration, Management and Operation**

#### **4.1.1 Port Administrative Organization**

##### **(1) Organizational Definition of the Seaport Department**

(Please refer to Fig. 4.1.1-1 for Organizational structure)

##### **Principal Functions:**

- Coordinate, streamline, improve and optimize the planning, development, financing, construction, maintenance, operation and control of the Subic Bay International Seaport, its facilities, physical plants, and all equipment used in connection with the operation of an international seaport.
- Ensure the smooth flow of water borne commerce passing through the Zone whether public or private, in the conduct of international and domestic trade.
- Initiate the privatization of the seaport operations.
- Perform other related functions as may be assigned by the Deputy Administrator for Transportation and Communication Group.

##### **1) Seaport Management Division ( SMD ):**

- Provide overall planning, implementing, directing and operating functions to Seaport Department. Responsible for the accounting and cost effectiveness of the department as well as in control of cargoes loaded and unloaded from vessels.
- Perform other related functions as may be assigned by the Department Manager and/or the Deputy Administrator for Transportation and Communication Group.

##### **2) Seaport Engineering Division ( SED ):**

Conduct maritime engineering services for the development and maintenance of piers, wharves, seaways/routes and navigational bouys and aids; and preventive maintenance of port maritime assets and properties including seaways/routes.

### 3) Seaport Operations Division ( SOD ):

- Manage and control the navigational traffic, berthing and movement of all vessels, cargoes and passengers in the Subic Bay Freeport Zone including measures to preclude port pollution and maintain industrial/occupational safety. Responsible for the smooth and orderly port service operations, such operations include container port terminals; ship scheduling, entry, exit, docking, mooring, assignments, distribution, shipment, and transshipment of cargo; provide ship quarantine inspection, cargo inspection prior to pier docking, provide towing tugboat services, material handling equipment services, manpower and other services.
- Perform other related functions as may be assigned by the Department Manager and/or the Deputy Administrator for Transportation and Communication Group.

### 4) Terminal Operations Division ( TOD ):

- Responsible for the daily movement of container cargoes for import, export, and transshipment, as well as insure entry/exit of crew/passengers.
- Oversee the discharging and loading of bulk cargoes including inspection of cargo handling equipment to insure safety of dock workers.
- Supervise and monitor the quality of work performed by the dock workers.
- Provide overall strategic developmental planning and implementation for the future cargo growth and expansion programs.
- Responsible for providing and monitoring maritime services and other related service.
- Perform other functions as may be assigned by the Department Manager and/or the Deputy Administrator for Transportation and Communication Group.

The port facilities are the nucleus of further development at SBF. Key issues relating to the integrated port development strategy and commercial and ownership arrangements need to be solved.

The privatization of the Port administration function together with marketing force is especially urgent to compete with the international and domestic port that are running far ahead of SBF.

From the above view point, it is of great importance to fully understand the existing organization and how the port is being run by staff members. SBMA faces several challenges in the development of its port facilities as is shown in Table 4.1.1-1.

**Table 4.1.1-1 Inventory of Existing Facilities and Previous Uses**

Existing Facilities	Number of Buildings	Gross Floor Area(m2)	Land Area (HA)	Previous Uses
Naval Station	473	213,760	326	Administration Housing Commercial Recreation Temporary Camps
Naval Supply Depot	72	102,230	224	Petroleum, Oil Lubricant Storage Facility Warehouses
Ship Repair Facility	68	92,940	27	Ship repair and Conversion
Naval Magazine	116	37,175	3,300	Store for arms, Ammunition

Source: SBMA Seaport Department



## (2) Structural Outline

As of March 1, 1998 the Seaport Department, one of the income generating departments of SBMA, has a staff of 201. The organization of the Seaport Department is given in Fig. 10.2.3

The breakdown of the total number of 201 employees is shown in Table 4.1.1-2

Table 4.1.1-2 Seaport Department Staff Composition As of March 1, 1998

Personnel Distribution	SBMA	FSC	Consultants	Total
DA's Office	6	1	0	7
GM's Office	2	3	1	6
TOD	19	18	0	37
POD	15	13	0	28
PMD	36	50	0	86
PED	15	20	2	37
Total	93 (46%)	105 (54%)	3	201 (100%)

Source: SBMA Seaport Department

Passenger Services Branch is now vacant, because the Eagle Ferry Cruises Inc. has suspended its daily service between Manila and Subic since March 2, 1997. The other ferry company, Grand Seaway Company also stopped service and moved to Bataan.

Recompression Facility Operations and Services was transferred to SBYC (Subic Bay Yacht Club) with effect from December 5, 1996 and those employees who have been working for the section are working at either SBYC or at the re-assigned office in the Seaport Department.

Also, Marina Boatshop Facility, transferred to SBYC on the same date, is no longer the Department's responsibility.

## (3) Facts about the Seaport Department

According to the latest fig., (Statement of Income and Retained Earnings for the year ended December 31, 1997 Unaudited Report), the operating income of the department was P72.2M, details of which are shown in Table 4.1.1-3

Table 4.1.1-3 SEAPORT DEPARTMENT  
Revenue Report FY 1997

	Vessel Charges	Cargo Charges	Storage Charges	Reefer Charges	Other Charges	Processing Fee	Total
January	1,948,670.86	1,786,809.14	640,969.58	14,712.00	492,726.68	191,200.00	5,075,088.26
February	3,046,017.97	2,021,761.91	988,425.73	13,486.00	796,745.50	181,800.00	7,048,237.11
March	2,308,254.01	2,018,883.65	839,949.23	15,938.00	735,321.86	219,200.00	6,137,546.75
April	1,236,908.12	1,738,369.90	520,987.24	18,390.00	800,830.48	234,100.00	4,549,585.74
May	2,428,283.68	2,907,334.06	1,864,483.80	68,042.00	389,765.76	211,500.00	7,869,409.30
June	2,599,699.38	1,745,054.56	534,554.75	224,879.90	852,194.03	239,500.00	6,195,882.62
July	2,517,746.23	1,102,219.05	1,395,531.11	19,922.00	450,060.90	268,600.00	5,754,079.29
August	1,262,890.65	882,497.12	1,369,100.66	31,877.00	86,130.90	221,200.00	3,853,696.33
September	2,129,557.31	1,529,554.30	854,589.20	15,138.00	1,139,556.55	299,800.00	5,968,195.36
October	1,494,369.74	1,761,224.46	607,579.98	48,814.00	1,489,228.74	343,600.00	5,743,816.92
November	2,385,725.04	1,065,071.83	257,785.98	25,746.00	576,872.42	397,000.00	4,708,201.27
December	1,347,501.22	1,086,033.79	753,942.15	39,538.00	794,857.67	306,300.00	4,328,172.83
							0.00
Total	24,705,624.21	19,644,813.77	10,627,899.41	555,482.90	8,604,291.49	5,113,800.00	67,231,911.78
Accounts Receivable							4,935,781.11
TOTAL REVENUE							72,167,692.89

Source: Seaport Department

On the other hand, the proposed 1998 budget for the department is about P3.6M.

The budget is for the various activities for the year 1998 and approximately the same level with that of 1997. The details are as follows:

Seaport Department Budget 1998

	Amount (PHP)
Travel	28,000
Communication	200,000
Repairs & Maintenance-Bldg. and Facilities	266,000
Repairs & Maintenance-Motor Vehicle & Heavy Eqpt.	751,000
Supplies	600,000
Rents	184,308
Training	18,200
Extraordinary & Misc. Expenses	48,000
Fuel, Oil & Lubricants	40,000
Other Services	<u>1,073,008</u>
 Total Maintenance & Other Operating Expenses	 3,208,516
 Building & Structures Outlay	 <u>275,000</u>
 Total Capital Outlays	 411,000

<b>Proposed Budget</b>	<b>3,619,516</b>
------------------------	------------------

Source: SBMA Accounting Department (Budget Control)

The inductive calculation of salaries and benefits of Seaport Department is about P24M (based on SBMA, FSC average salary per month P9,200 and 12 months plus 1 month bonus per year).

Thus, gross profit is:

Income:	P72.0M
Expenses:	<u>P27.6M</u>
Balance:	P44.4M

The Seaport Department is presently using the various office spaces for free and there would be a substantial amount of overhead cost once operations are privatized.

It is observed that the organization, personnel and operation software basically remain at the level of those of the U. S. Naval Base days.

To compete with private ports, international and domestic, the privatization of SBF is a must condition.

#### (4) Analysis of the Seaport Dept

The current organizational structure of the SBMA was developed in order to take-over and privatize the various base facilities, and provide basic services including:

- Perimeter and on-site security in conjunction with the U. S. Navy.
- Utility services and maintenance of facilities.
- Basic internal budgeting and other administrative duties
- Preparation of privatization and commercialization approaches.
- Promotion of the freeport to potential investors.

In focussing on the current scope and job assignment of the Seaport Department, the above peculiarities will become much clearer.

The present Seaport Dept Structure is heavily influenced by the operating framework used by the U. S. Navy.

The old framework was effective in running a Naval Base which is the utmost example of a private berth with back-up yard.

The old motto of the base was “can do it !” It is now time to change the motto to “can do it, as far as it pays !“

It must be emphasized that although the old framework was effective in running a Naval Base, it is not quite appropriate to successfully operate and administer a port .

There are three major deficiencies with the present Seaport Dept organization chart.

First, it assumes that the Seaport Dept’s primary mission is to develop and directly operate the Port, rather than function as a regulatory authority. (This is treated in greater detail in 4.1.2., Port Development, Management and Operation)

For example, the Terminal operation Division includes Arrastre Service Section and Stevedoring Service Section.

Second, there is a considerable overlay and duplication of responsibility and function.

Port Management Division, Terminal Operation Division and Port Operation Division could be reshuffled into one or two Divisions.

Third, and the most critical deficiency is that important regulatory functions are entirely lacking from the current structure.

#### **(5) Proposed organization of the Seaport Dept.**

There is an old saying that "Name suggests reality." and from that viewpoint, the current Seaport Dept. was seemingly designed to directly operate the port facilities from the perspective of the employees and in-house staff, not the port users.

Therefore, it is proposed to convert the basic attitude of doing business from an "in-house business" perspective to a "customer oriented business" perspective. (Please refer to Fig. 4.1.1-2)

In this connection, reference should be made to section 2.1.2 (3) SBMA Management Cycle. The proposed Organization Chart (Fig. 4.1.1-2) is drafted on these two philosophies, namely "Customer Oriented" and "SBMA Management Cycle"

#### **(6) New Mission Statement of the Seaport Department**

Since the change of the administration in summer of 1998, the mission statement of Seaport Department has been revised as follows:

- 1) The department shall implement, apply and enforce the policies, programs, guidelines, procedures, decisions, rules and regulations promulgated, prescribed, issued and/or adopted.
- 2) It shall manage the affairs and ensure the operational efficiency of the ports within the Subic Bay Freeport Zone.
- 3) It shall undertake research, studies, investigations, and other activities/projects with regards to the ports and submit comprehensive reports and appropriate recommendations to authority.

- 4) It shall be responsible for the engineering services in the development and maintenance of piers, wharves, navigational buoys and aids and the preventive maintenance of all assets and properties.
- 5) It shall be responsible for the proper documentation of all cargoes and vessels to and from the Subic Bay Freeport Zone.
- 6) It shall be responsible for the overall operation, security and procedures during loading and unloading of cargoes from vessel to warehouse or vice versa and to final destination.
- 7) It shall be responsible for the easy access of goods to and from the Subic Bay Freeport Zone.

Although some expressions are much improved compared with the prior organization definitions, there still remain some points which must be amended correctly in order to be in line with the nature of a port management body.

Statement five needs to be rewritten to the meaning that SBMA as a port management body is not directly responsible for the documentation of all cargoes and vessels, but responsible for indirect control and administration so that all organizations concerned conduct right documentation. It is not necessary for SBMA to act as an operational body but to behave as an administrative organization.

Statement six must also be rewritten. SBMA as a port management body must refrain from conducting actual operation. The private sector shall be responsible for the overall operation, security and procedure during loading and unloading operation. This operation is "stevedoring operation" itself and that is their business. SBMA's business is to see that the Port as a whole is functioning well or not. If SBMA is responsible for operational level activities, port management will become very difficult.

In this regards, it is indispensable to abolish the pre-arrival meeting which has been chaired by the Seaport Department staff ( Port Operation Division Head ). That is not the business of SBMA. The points which SBMA should adhere to are whether the berth assignment is correctly done and whether stevedoring contracts are agreed upon between terminal operators regardless container or non-container, and stevedoring companies.

#### (7) Re-modeled Seaport Department as of January, 1999

Because the mission sentences were changed, it became necessary to re-model the Seaport Department organization. The names and functions of each division are as follows:

Port Management Division( no name change )

The Port Management Division ( PMD ) consists of four (4) branches; Admin. Services, Processing Control, Budget and Supply and Cargo Control. Processing Control is newly added.

The functions of the division are to provide administrative, management services, accounting and cost effectiveness of the Seaport Department, responsible for the proper documentation of all cargoes ( import, transshipment, export, etc. ), processing of vessel's entry/exit clearance and control of goods entering and exiting the Subic Bay Freeport Zone.

Harbor Operations Division ( changed from Port Operation Division )

The Harbor Operation Division ( HOD ) consists of four (4) branches: Port Traffic and Scheduling, Port Communications, Safety and Shipboard Inspection.

The division manages and controls the navigational traffic, berthing and movement of all vessels including measures to preclude port pollution and maintain industrial/occupational safety of ports within the Subic Bay Freeport Zone.

Responsible for the smooth and orderly port services operation such as ship scheduling, entry, exit, berth allocation, ship inspection, pilot services, tugboat services manpower prior to pier docking and undocking of vessels. Mobilizes disaster and rescue operation during emergency.

Terminal Operations Division ( no name change )

The terminal Operation Division ( TOD ) consists of two (2) branches: Container Terminal Branch and Bulk Operation Branch.

The functions of the division are to oversee the overall operations, security and procedures of unloading and loading of cargoes from ship to warehouse and vice-versa, ensures that the cargo operations are met and controls of all cargoes stored in warehouses and Container Yard (CY).

Port Engineering Division ( no name change )

The Port Engineering Division ( PED ) consists of three (3) branches: Port Development, Harbor Maintenance and Mechanical, Electrical and Diving Services.

The functions of the division are to conduct engineering services for the development and maintenance of piers, wharves and navigational buoys and aids, and preventive maintenance of port assets and properties.

Of the above four divisions, TOD ( Terminal Operation Division ) is destined to be abolished when the new container terminals are completed and privatized through the concessions.

The proposed organization chart of the Seaport Department is shown on Figure 4.1.1-2 ( at page 4-13 ). The proposed Department consists of three (3) divisions: Planning & Administration, Port-sales Promotion and Port Engineering & Maintenance.

Detailed explanation on the proposed organization chart will be given in 4.5 Action Program for Improvement of Management and Operation Systems of Vol. 3.



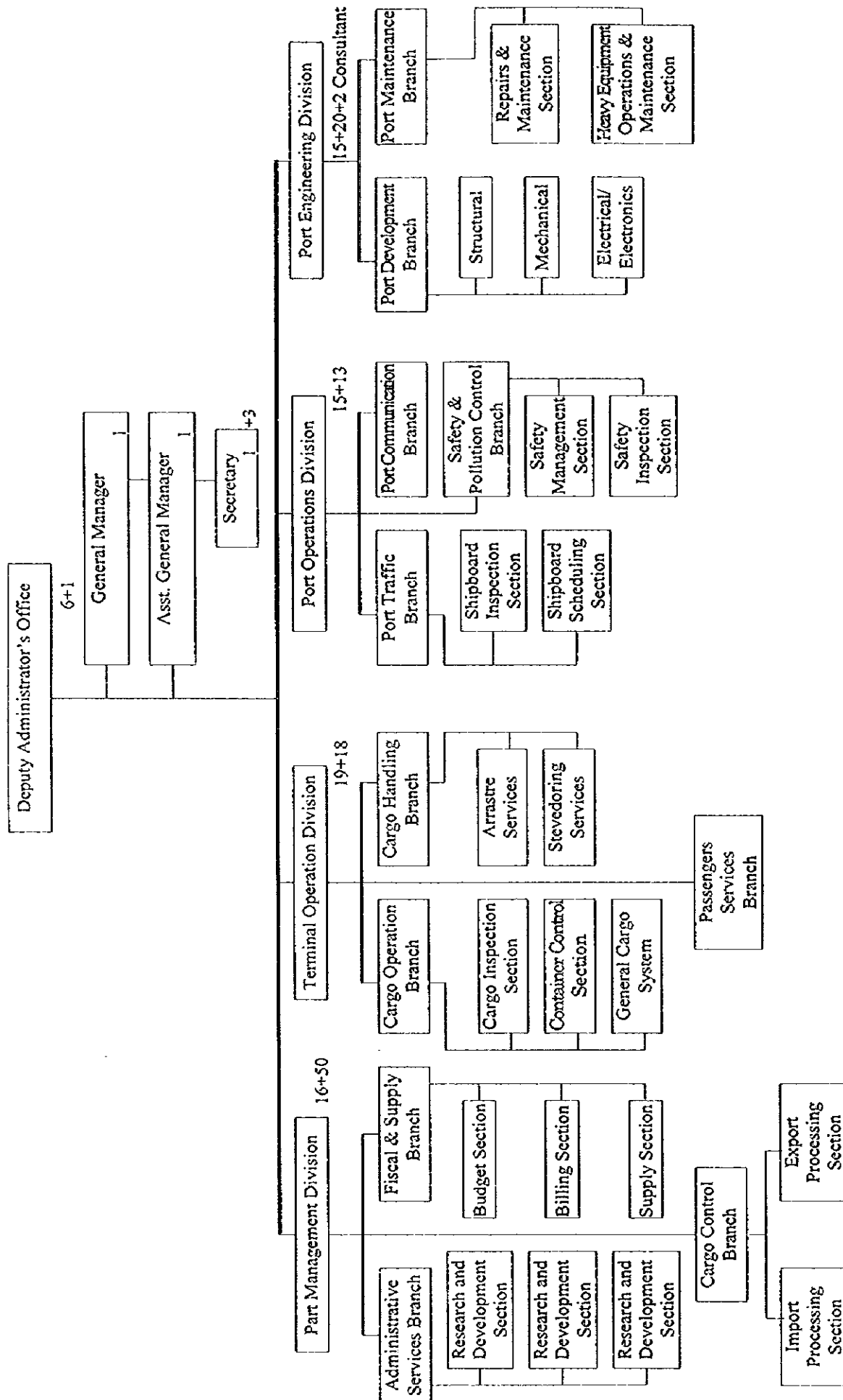
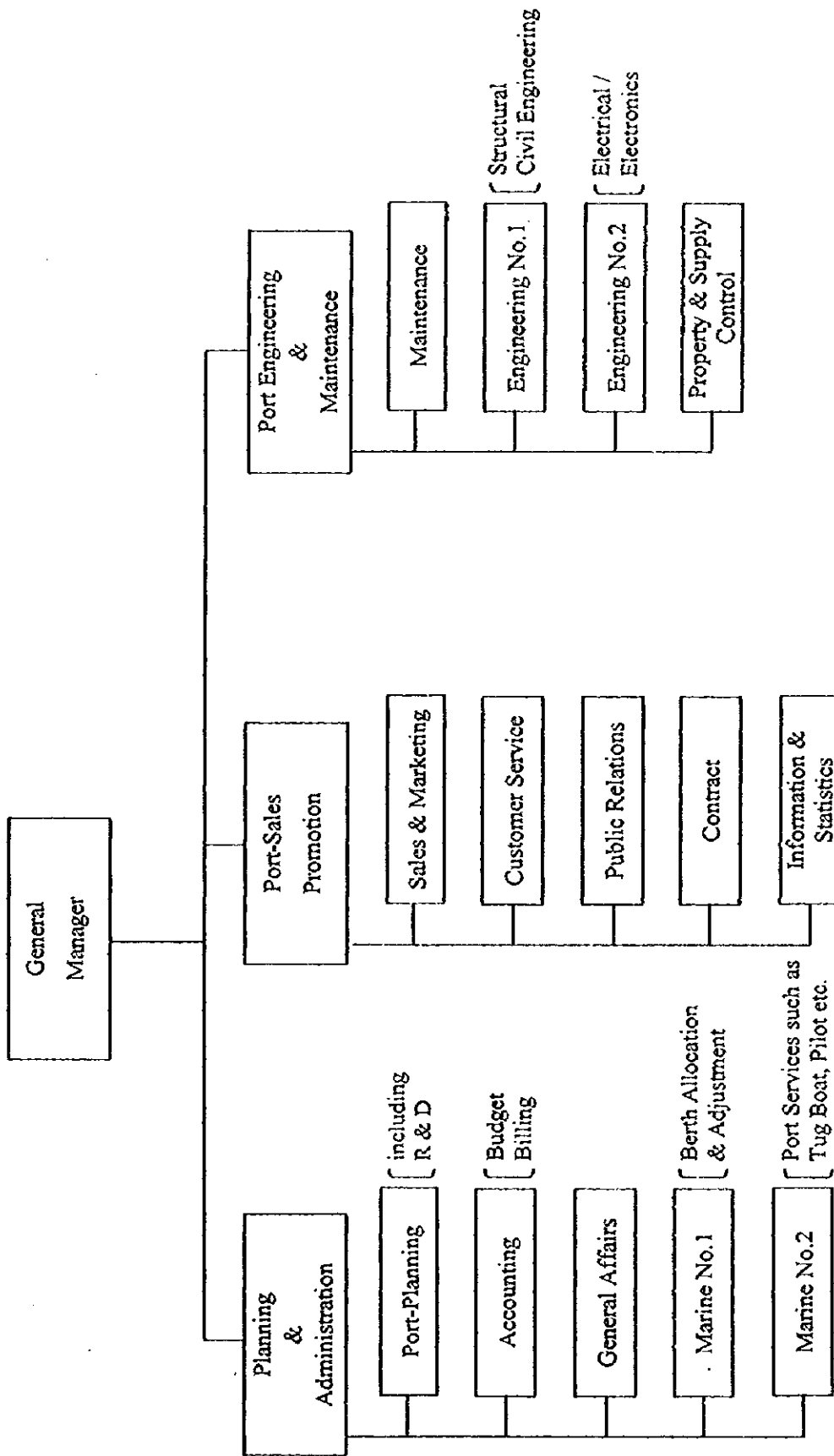


Figure 4.1.1.1-1 SEAPORT DEPARTMENT ORGANIZATIONAL CHART  
(as of March 1, 1998)

\*plus figure shows FSC staff

Source: SBMA Seaport Dept.



Source: JICA STUDY TEAM

Fig. 4.1.1.1-2 Proposed Organization Chart of Seaport Dept.

## **4.1.2 Port Development, Management and Operation**

### **(1) Port Development**

SBMA export earnings are expected to break the US DLRS 1 billion mark by the end of 1998, following the start of full scale operations of the two industrial parks. The 300-hectare Taiwanese-owned Subic Bay Industrial Park and 60-hectare Japanese Subic Techno Park are scheduled to begin commercial operations by the middle of this year.

Topping the list of consistent export earners are Acer( Taiwan ) producing computer motherboards, Thomson Audio Phil.( France/Korea )-telephones and audio equipment, and Electruck Pacific ( Australia )-industrial lifts and cranes. As of May '98 SBF has 259 companies, 188 already operational, with an aggregate committed investment of over US DLRS 2 billion.

The two key organizations supporting SBF development are SBIA (Subic Bay International Airport ) and the Seaport Department of SBMA. SBIA is already in full swing operation serving FedEx ( Federal Express ).

Regarding the sea port field, SBMA would like to develop its port facilities which includes a container terminal and conventional berths.

It is hoped that a quick decision will be made concerning the concession so that the SBMA port function will become clear to port users both now and in future.

### **(2) Port Management and Operation**

#### **1) Management Area for SBMA**

The management area of SBMA is the Subic Bay Freeport area as stipulated by the Republic Act No. 7227 governing the creation of the SBMA. The area consists of a 55,102 ha land area and 12,350 ha water area.

#### **2) Ship Entry in Seaport Area**

The entry terms and procedure regulated by SBMA are based on the SBMA Seaport Memorandum Circular 94-001.

All vessels entering, berthing, anchoring in the port require the permission of SBMA. When entering or departing, the submission of required documents or payment for port charge is necessary.

The terms for entry approval based on the SBMA Memorandum mentioned above are as follows:

- a) To possess a certificate of classification from an international society such as the American Bureau of Shipping ( ABS ), Lloyds of London, Bureau Veritas, NK, DNV, etc.
- b) To have coverage of protection and indemnity insurance
- c) To carry onboard a shipboard oil pollution emergency plan approved by PCG, that is, all oil tanking of 150 gross tonnage and above and every ship other than an oil tanker of 400 gross tonnage and above.
- d) To be equipped with oily bilge water separator
- e) To have complied with the waste disposal incinerator equipment requirement

### 3) Entry Approval Procedure

First, the required documents for entry are brought to SBMA by shipping agency. The SBMA implements the pre-entry inspection. Second, all vessels which enter the port area except vessels going to marina, SBYC, must be inspected at fairway area by the shipboard inspection team, with the harbor pilot and Bureau of Quarantine officer, to determine the suitability of the applicant vessel for entry.

The area inside of Grande Island is under the jurisdiction of SBMA. Navigation speed is determined by the pilot. Tug boats must be used in accordance with SBMA's decision. One or two tug boats are required to assist vessels entering the anchorage area in front of the piers. Vessels must hoist their national flags and Philippine flags, and maintain appropriate illumination in the port. If necessary SBMA can instruct vessels to shift to another place. When vessels do not obey instructions, SBMA can take appropriate measures to remove them.

### 4) Berth Allotment

Berth allotment is generally conducted on a first come first serve basis. Berth allotment is considered with the type of cargo and the maximum allowable draft of vessel in a particular berth. Berthing site schedule for vessel is decided by pre-arrival meetings for berth allotment. The berth allotment procedure is as follows:

- a) The Port Operation Division of the Seaport Department, SBMA, is in charge of the procedure.
- b) A shipping agent who wants to use a berth has to inform the port authority office of the Estimated Time of Arrival ( ETA ) 72 hours before entrance to the port.  
And the shipping agent must confirm ETA at least 24 hours before actual time.

- c) The Port Operation Division checks that the agency paid the port charge and then has a meeting with the agency to decide the berth. Pre-arrival meeting is conducted by the General Manager/ Asst. General Manager, staff from Terminal Operations Division, Port Operations Division, Port Safety Officer, Cargo Control Branch and Port Engineering Division, when necessary. Also present are Ship's agent/ representatives, consignee/ broker, cargo handlers for Stevedoring/ Arrastre ( Cargo hauling/ draying )
- d) According to the results of the pre-arrival meeting, the Port Operations Division allots the berth taking the dimensions of the ship ( length and draft ), type of cargo, situation of cargo handler, supply of other port services and safety measures into consideration.

Regarding the Pre-arrival meeting, it is proposed to abolish the meeting to streamline SBMA administration function of the port in 4.1.5,( 2 ) Action Program for the improvement.

#### 5) Documentation and Permission of the Loading/Unloading Cargo

SBMA published " Guideline on export/ import/ transshipment/ and gate-pass for tax paid cargoes processing " dated 29<sup>th</sup> July, 1996 which changed the documentation and processing clearance for user. These guidelines integrate the documents for Customs, Seaport Department, etc.

When the documents for import/export are presented by the user or agent, SBMA examines whether the cargo might be loaded/ unloaded. The viewpoints of this examination are from ecology, safety and capacity of the facilities. And in the case of the Secured Area, only cargo that is necessary or appropriate to the relevant industries is permitted. In 1997, bulk style asphalt and cement clinker were rejected due to the pollution that would result.

#### 6) Control of Activities

Utilization and activities at the land area and water area close to the coast within the Secured Area are under SBMA administration. When an entity intends to construct something on the water area or use the water area exclusively, permission of SBMA is required.

In the case of water area, entity must submit a complete set of plans and specifications to SBMA for review and approval prior to any construction on the water area. Plans to be submitted shall fully comply with the terms and condition of SBMA applicable laws. Additionally, environmental clearance for the project shall also be secured from SBMA. SBMA examines whether the proposed construction would cause pollution, if it is compliance with SBMA applicable laws, rules and regulations and if it would interrupt port activities. If above terms are satisfied, SBMA gives permission.

In the case of land area, entity must submit a complete set of plans and specifications to SBMA for review and approval prior to any construction, addition, extension, alteration, demolition, renovation or improvements to existing property. Plans to be submitted shall fully comply with the terms and condition of the National Building Code, National Fire Code, National Accessibility Code and National Structural Code the Philippines, SBMA Fire Code and other SBMA applicable laws. In the event of conflict between the terms and conditions contained herein, the terms and condition of the National Building Code, the National Fire Code, the National Accessibility Code, National Structural Code, or the SBMA Fire Code, if any, the stricter terms and condition shall apply. Additionally, environmental clearance for the project shall also be secured from SBMA. SBMA examines its impact to the environment and whether the proposed construction would interrupt port activities. If there is no impact or interrupt, SBMA gives permission.

#### 7) Ownership, Repair and Maintenance of Port Facilities

All port facilities in land area including wharves, yards, and buildings are owned by SBMA except the Subic Bay Yacht Club ( SBYC ) located in Osir Basin. These facilities are maintained and repaired by SBMA in principle. POL Pier is leased to the private sector, and some yards, sheds, tanks, warehouses and buildings are also leased. Therefore, these leased facilities are used and maintained by the lessees. When it is necessary to implement large scale repair, SBMA repairs the facilities.

SBYC was constructed by Subic Bay Waterfront Development Corporation ( SBWD ) based on a concession contract with SBMA. The facilities of the SBYC are owned and used by SBWD. Therefore, the responsibility of the repair and maintenance rests with SBWD.

The facilities in the water area including the buoys and the aid to navigation are maintained by SBMA. The channel is also dredged by SBMA in principle.

The cargo handling equipment including large scale cranes except B-50 Portal Crane, trucks, boats for towage, etc. are owned and maintained by SBMA. SBMA has a maintenance shop in Building No.202. B-50 Portal Crane located at the north end of Bravo pier is leased to the private sector. The crane is used and maintained by the lessee.

#### 8) Customs, Immigration, Quarantine and Other Administration

##### a) Customs

Bureau of Customs ( BOC ) of the National Government is in charge of Customs clearance. The Customs office is on the second floor of the Port Administration Building ( at

Merchandise Control Office ). The office is open 9 hours( 8:00am-5:00pm ) but is closed on Sundays.

For purposes of exemption of imported articles from taxes and duties, Executive Order No. 97-A dated June 19, 1993 clarifies that the Secured Area, consisting of the presently fenced-in former Naval Base, shall be the only completely tax- and duty-free area in the SBF. The locator or the resident investor within the Secured Area is able to accept the above special favor. The port user addressed outside of the Secured Area has to pay the charge of tax and duties when he/she imports some articles. Though the locator or the resident investor may be within the Secured Area, he/she has to pay the charge of tax and duties when he/she brings goods out of the Secured Area ( out of the gate ).

Customs clearance is conducted by checking documents such as Seaport Permission, Bills of Lading (B/L ), Packing List, Commercial Invoice and General Surveillance-Clean Report of Finding ( SGS-CRF ) and site inspection

The consignees have to visit the custom office whenever they declare customs duties, get verification of documents and pay the duties. Also, they have to attend site inspection.

#### b) Immigration and Quarantine

As a rule, existing Philippine immigration laws are applicable in the SBF. Bureau of Immigration and Deportation, the Department of Justice of National Government is in charge of the entry formalities. The Immigration Office is located in Olongapo city, outside of the Secured Area.

Philippine laws on animal and plant health and quarantine and the protection of animals from disease and pestilence are effective in the SBF. Four kinds of quarantine offices are responsible for the quarantine for loading/unloading cargo and passengers at the SBF Seaport ,i.e. Animal quarantine, Plant quarantine, Fisheries quarantine and Medical quarantine. The offices are located in Olongapo city, outside of the Secured Area.

#### c) Other Administration

Navigation control is implemented by the Port Operation Division, Seaport Department, SBMA. The organization controls, directs and coordinates all ships movements within the port.

The RA No. 7227 gives SBMA the responsibility of providing and establishing internal security and fire-fighting force. The internal security and fire-fighting force are in charge of not only the Seaport but the entire SBF area.

Port police is undertaken by the Law Enforcement Department, SBMA, which establishes security policies, provides guidance and sets forth uniform standards for physical security and theft prevention measures to safeguard personnel, property and materials within the controlled industrial area of the port. The daily guard in the responsible area for the Seaport Department is entrusted with FSC.

Fire-fighting in the port is executed by the Fire Department, SBMA. The Fire Department provides fire protection for the whole SBMA area including all industrial areas such as port facilities and shipboard.

Pollution in the port is controlled by the Ecology center, SBMA. This center undertakes the preservation, protection and maintenance of the environmental management and natural resources within the Freeport Zone. The Center implements all environmental management and natural resources conservation and protection programs towards a sustainable development. The Center also undertakes the normal functions associated with environmental management including, but not limited to, enforcement, monitoring, permitting, training and education and contingency/emergency planning.



### **4.1.3 Port Services**

The main port services in SBF are conducted by private companies which contract with SBMA. The services and charges are decided by supply companies freely in principle. The cargo handling services in wharves are explained in 4.3.3.

#### **(1) Pilot**

All vessels which enter in the control area of the SBF have to have a pilot onboard. The only exception is for small ships. For safety, the pilot service is available only through the public sector, i.e. Port Operation Division, Seaport Department, SBMA. There are five pilots. They operate 24 hours and each day of the year.

#### **(2) Tug Boat**

A private company "Malayan Towage & Salvage Corporation " provides towing services to the vessels berthing. This company owns two boats of 3,500 hp covering SBF. Although the number of tug boats needed for towing depends on the size of the vessels and weather conditions, in most cases two are enough. They operate 24 hours all year round. They are under concession contract with SBMA.

#### **(3) Ship Repair**

A vessel in need of maintenance or repairs can receive services at a ship yard owned by the private company " Subic Shipyard and Engineering Cooperation ". It is in the inner part of Subic Bay and outside of the Secured Area. The company has a dry dock which can accommodate a 340 thousand DWT vessel and 750m length pier for repair and maintenance.

The seaport within the Secured Area had the function of ship repair before the conversion. But the seaport has lost the function since it was deprived of the main floating dock.

#### **(4) Water Supply, Electric Supply and Bunkering**

Water, electricity and fuel supply are served by private companies which are under contract with SBMA. Water supply is provided by " Subic Water ". Electric supply is provided by "Enron Subic Power Corporation ". Fuel supply is provided by " Coastal Subic Bay Petroleum Inc. ". Water is supplied from hydrants alongside berths. Fuel is supplied from Pol pier. They operate 24 hours throughout the year.

#### **(5) Waste Disposal Services**

Waste Disposal Services are provided by a private company and Ecology Department of SBMA. As SBMA is responsible for the protection of the environment in SBF, SBMA must provide this service directly. The private company assists SBMA.

#### 4.1.4 Computerisation

##### (1) Seaport Department System

There is a very compact computer system working in the Seaport Department. The system is 6 months old. It was developed by some young and enthusiastic members of the Department on their own initiative.

In terms of hardware, the system consists of just 3 Compaq work-stations (w/s) and is run by 3 staff members.

For the present, the system can supply almost all documents requested by the office staff and they are satisfied with those outputs.

The list of application program and outputs are shown in Table 4.1.4-1. At this stage, the system is compact enough and appropriate for the scale of the jobs of the Seaport Department, as far as daily operation is concerned.

Table 4.1.4-1 List of Outputs (As of March 1, 1998)

Division/Section	Type of Reports	Receiving Person/Office
Billing	Daily	AGM (Assistant General Manager)
	Weekly	AGM
	Monthly	Atty. Hernandez/Accounting (Bldg 229)
	Yearly	
Export	Daily	Chairman's Office
	Weekly	PMD (Port Management Office)
	Monthly	Chairman's Office/PMD/Atty. Hernandez
	Yearly	Chairman's Office/PMD/Atty. Hernandez
Import	Weekly	Atty. Hernandez
	Monthly	Atty. Hernandez
	Yearly	Atty. Hernandez
Seaport Dept.	Daily	Atty. Hernandez
	Weekly	Atty. Hernandez/Chairman's Office
	Monthly	Atty. Hernandez/Chairman's Office
	Yearly	Atty. Hernandez/Chairman's Office
Transshipment	Daily	PMD
	Weekly	PMD
	Monthly	PMD
	Yearly	PMD

\* All the above reports are available on request basis any time.

Source: SBMA Seaport Department

Information channel resembles the blood circulation system of the human body, and must grow as the person grows.

As far as the Seaport Department remains at its present size, the existing small system can work fairly well. However, if container throughput grows quickly say at the level of 100,00 TEU/year, the system could not cope with the volume and SBF would surely be paralyzed.

The same can be said about passenger service. The system does not cover passenger service jobs because there is no need so far.

## (2) SBMA Integrated System (The Subic Cybercity Project)

Realizing the importance of harnessing the potentials of information technology in supporting SBMA's overall business and social goals, management has initiated the process of developing an information systems strategy that will be responsive to SBMA requirements. In support of this process, a project team was formed consisting of members from the Management Information Systems Office and Information Systems Planning Group, assisted by SGV & Co., to facilitate the development of SBMA information system strategy. Presently the project team is thrusting forward with the project. (Please refer to Fig. 4.1.4-1 for SBMA Cybercity configuration Outline)

### 1) Cybercity Concept

SBMA has initiated the "Subic IS IT" (SUBIC International Showcase of Information Technology) project whose goal is to create an Information Technology (IT) culture or lifestyle in Subic – a CYBERCITY – where all residents, enterprises and/or organizations have access and connectivity to and fully utilize the tools and advantages of cutting-edge technology in their every day lives and businesses.

### 2) Hardware Configuration

About 300 COMPAQ Workstations will be scattered all over the SBMA responsible areas. Fig. 10.5.2 (2) shows the System's hardware configuration.

It is remarkable the terminal devices consist of w/s (Workstation), NC (Network Computer) and PC (Personal Computer).

### 3) Applications for the Seaport Department

Fig. 4.1.4-2 is taken from the proposed SBMA Information System Plan, Preliminary

## Technical Architecture.

The figure shows the number of w/s (work station ) and printers of the Seaport Department. It also shows the kind of applications, namely:

- Vessel Monitoring
- Cargo Tracking/Freight Management
- Passenger Monitoring
- Billing, account receivable, cash receipts

According to the implementation timetable applications for the Seaport Department were Scheduled to be completed by the end of 1997. The schedule has been suspended because the privatization of SBF is still under study.

### (3) Seaport Department System/SBMA Integrated System Interface

Seaport Integrated System will be completed sooner or later (scheduled cut off date is December 31, 1998); also the privatization of SBF is only a matter of time. The necessity of the Integrated System has become clear to all. The following proposal of Subic Bay Metropolitan Authority Information} System Plan July 1996 was made by SGV & Co. The following points were suggested in the proposal:

#### Current Systems

There is a proliferation of end-user developed application systems which are difficult to monitor and control. These systems are not integrated, making it difficult to get management information. Non-integration of these systems is due, in part, to a lack of guidelines on the development and implementation of application systems. PC's are all stand-alone, limiting even more the integration of SBMA's information systems.

\*PC : Personal Computer

#### Vision

A fully-integrated system using standard software and hardware components which provide easy access to shared information is critical for making strategic management decisions.

**Software:** There are no guidelines in the development and implementation of application systems. In most cases, the developers did not leave complete documentation of the applications developed.

**Hardware:** SBMA makes use only of non-standard stand-alone computers.

Acquisition of different PC's with different specifications are requested by different departments for simple word processing and spreadsheet applications.

However, the current Seaport Department System is vital for everyday business transactions. Seaport Department cannot function effectively without its. Therefore, the implementation of the Integrated System to Seaport Departments in the near future must be carried out very carefully.

Prior to the implementation, it must be seriously discussed and decided whether the integrated system will take over all of the jobs of the existing system including master file-structure and its continuity. It must also be emphasized that staff training needs to be given priority because any system consists of Hardware, Software and Humanware, and Humanware is the inner-most part of a system.

#### (4) Cancellation of the Cyber City Project

A letter from MIS ( Management Information System ) Division of January 19, 1999, signed by Anton Rex Chan, Chief Operating Officer addressed to all department heads informing them of the cancellation of the project, did not come as a great surprise. It had already been assumed that the project would never be implemented because it was too costly and too remote from the necessity of everyday business.

Although the cut off date of the Seaport Integrated System of the Project was once declared as December 31, 1998, few people believed it likely. Now that the project is dead, it is a matter of urgency and of importance that the Seaport Department has its own modern EDP and EDI systems for the administration in the quite near future.

EDP is indispensable for efficient administration and management of the Port, and EDI is necessary to promote the sales of the Port. Without EDI, it will be virtually impossible to solicit world class steamship lines to the Port of Subic.

Nowadays, port authority as well as container terminal operator must be equipped with EDI because main ports in the world are getting accustomed to paperless systems regarding import/export procedure. In the field of air transportation, more sophisticated EDI is already in use and it is a matter of time that EDI for sea transportation will become a basic condition of the world's top class ports.

Apart from the Cyber City Project which is now declared dead, it is necessary for the Seaport Department to define the jobs for today and tomorrow from the start. Because existing system of the Department is almost in name only. In designing a new EDP and EDI, the system

planner must listen to the management staff of the Department and also to the bottom-line rank and file. Because the Seaport Department is in a very important transition period, a broad minded and experienced system planner is desirable.

In summing up, the computerisation of the Seaport Department is in the embryonic stages as the current volume of bulk cargo and throughput of containers are not sufficiently large. However, looking forwards the future, the implementation of EDP and EDI is a must condition for the healthy development of the Port of Subic.

#### **4.1.5 Procurement and Contract System**

##### **(1) Job Description of the Procurement & Property Management Department**

The organizations and functions of SBMA are now in the process of re-shuffling since the conversion of the administration in mid 1998. However day to day transactions must proceed. The following is the current job description of the Department which is going to be amended slightly in the near future in line with the change of staff members and organization.

There are two (2) divisions in the Procurement & Property Management Department: Procurement Division and Property & Inventory Division. The job description of the Department as a whole does not exist, instead that one for the department manager III ( Department head ) who reports to the Deputy Administrator in charge is shown below:

##### **Basic Functions:**

Responsible in the procurement and acquisition of all supplies, materials, tools and equipment required by various departments/offices of the SBMA. Ensures that such procurements and acquisitions are in accordance with existing government regulations, laws and guidelines, and are beneficial to the SBMA.

Plans, coordinates and directs the entire operation of the Procurement & Property Department. Promulgates policies and procedures pertaining to procurement, material handling, issuance and receipt of materials, and other functions relative to property and supply management.

##### **Duties and Responsibilities**

- 1) Plans, coordinates and direct the entire operation of the Department. Oversees the functions of two (2) divisions under the Department. Working Time 50 %
- 2) Promulgates policies and procedures pertaining to procurement, material handling and

storage, material issues and receipts and other functions relative to properly and supply management Working Time 20 %

3) Develops control procedures and guidelines on all matters pertaining to procurement, issuances, receipts, material handling & storage and ensures conformity with established norms and standards are followed. Working Time 10 %

4) Promulgate guidelines to ensure that work processes are performed in accordance with prescribed procedures and policies and with existing rules and regulations. 10 %

5) Participates in the review of all procurement actions and paper work and sits as a member of the SBMA Bids and Awards Committee. 5 %

6) Performs other duties as may be assigned by higher SBMA officials. 5 %

Total 100 %

As far as the above job description is concerned, it is well written and the mood of the Department is strict and bright. It is observed that the morale of the Department is high. However there are some weak points of the centralisation of the budget control as is explained later.

The following is the basic function of the clerk of the procurement division of the Department:

Basic Functions of Clerk of the Procurement Division:

Responsible for the procurement and acquisition of all materials, supplies, tools and equipment required by various departments/offices of the SBMA. Ensures that such procurement actions are done in accordance with existing regulations, laws and guidelines and are most beneficial to the SBMA.

Maintains records of material acquisitions with regards to suppliers, price indexes to ensure that all purchases are in accordance with existing guidelines and policies. Types record of canvasses, solicitations of quotations from canvasses are performed in accordance with existing guidelines and policies.

Also following is the basic functions of “ Buyer “ of the Department:

Basic Function of Buyer of the Procurement Division:

Responsible in the procurement and acquisition of all materials, supplies, tools and

equipment required by various departments/offices of the SBMA. Ensures that such procurement actions are done in accordance with existing regulations, laws and guidelines and most beneficial to the SBMA.

Maintenance records of material acquisition with regards to suppliers, price indexes to ensure that all purchases are in accordance with existing guidelines and policies.

## **(2) Present Procurement Procedure**

There are two flows of the procedure. One is for the procurement of office supply such as daily stationary supply and office furniture or computers of usual uses. The other is for machinery and vehicles for port/airport operation and other objectives. In case of any project implementation, a separate flow of procurement will be added.

### **1) Procurement of Office Supply/Furniture and Others**

Staff of each department, when necessity for supply arises, fills in an internal slip of request. Then a procurement officer say of the Seaport Department, fills in RIV ( Requisition and Issue Voucher ) and gets approval of the Department Manager. Authorised RIV is sent to PPMD ( Procurement & Property Management Department ) for approval and authorisation. PPMD consults with Budget Department each time for approval.

This procedure must be strictly adhered to each time even when the needed item is budgeted. It takes at least two weeks to get through the whole process and this is one weak point of the procurement system of SBMA.

### **2) Procurement of Machinery such as Heavy Vehicles**

In case of Procurement of machinery such as a heavy vehicle or a fork lift for terminal operation, relevant RIV must be presented to PWGT ( Public Works Group-Transport ) then to PPMD, which ask for authorisation from the Budget Department. It usually takes more than one month to order.

In summing up, although the procurement system of SBMA is functioning, it is necessary to make it streamlined by abolishing the duplicated process of order from each office. In other words, any item if it is budgeted should be left at the discretion of each user office for order and purchase, provided the procurement process is recorded in order.

## **(3) Contract Negotiation System of SBMA**



According to the present Group-wise job responsibility assignment, all the contractual matters are handled by Locator Registration and Assistance Office, Trade and Tourism Department. Seaport Department keeps copies of some lease agreements of properties within the responsible area, just for reference. Seaport Department members do not join the negotiation with the lessee of the properties.

For the modernisation of SBMA, it is necessary to change the way of doing jobs. At a military base, it is more or less usual to run it by “all family” concept and “all in one set” izm. Under the “all family” concept, it is not necessary for every member of a family to understand a contract. It is enough that just a father or an elder member of a family takes care of the contract.

However, in a modern economic society, it is expected that each member of an organisation can understand the spirit of contract. In other words, every business is a contracted business and disputes that arises should be settled by referring to the contract.

#### (4) Action Program for the improvement of Contract System

In most cases, a Port Authority does not have any connection with the stevedoring service for a shipping line, thus there is no need to have a contract.

However, because of SBMA’s traditional way of thinking, which is a throwback to the Naval Base days, SBMA takes absolute responsibility and authority concerning the loading and unloading of all kinds of cargo which is entirely not necessary from the common sense of the world water front business. Because SBMA has no contract of transportation of such cargo with any carriers or their agents, it is not only unnecessary but also very misleading that SBMA is involved in a meeting of the operation related companies.

In reality, SBMA calls a so called pre-arrival meeting for each vessel.

For example, eight (8) meetings were called for the month of Feb. 1998, in which SBMA staffs (Seaport Dept. Terminal Operation Division, Port Operation Division, Cargo Handling Branch, Port Tariff Branch), staffs from Shipping Agency, Consignee Broker, Stevedore all attended.

Standard Agenda includes:

- a. Documentation/Clearances
- b. Port Services/Formalities
- c. Operational unloading (loading) schemes
- d. Port Security and Safety
- e. Other responsibilities

To streamline the above existing custom, it is hereby proposed that SBMA shall define its function as Port Administrator only and leave loading/unloading operation to the private sector, abolishing the pre-arrival meeting.

If there are certain procedures which must be followed by the port users, they should be listed and circulated by SBMA.

#### (5) Privatisation of Seaport Facilities

Privatisation will be elaborated in 4.1.6 "Privatisation of Port Services". Therefore, from the administrative aspect, some hints for privatisation for Seaport Facilities are suggested as follows:

The formulation of a workable privatisation approach for the SBF's sea port facilities should take into account some important factors. First, the nature of private sector participation in port operations in the Philippines to date, which has taken the form of long-term leases to the terminal operators of MICT (Manila International Container Terminal) in Manila Port. In this agreement, The PPA (Philippine Port Authority) assumed responsibility for construction of the terminal and leases it for a period of 25 years. A similar arrangement is anticipated for the grain terminal to be constructed in Manila Port. Second, actual Privatisation may have to postponed until demand is clearly in evidence.

As traffic volume increases, the operation of the facilities can be privatised through competitive bidding. In this process, the privatisation agreement should clearly indicate the respective roles of the SBMA and the private company with regard to: (i) operation and maintenance of the facilities, including the SBMA's role in guaranteeing the quality and price of the services provided to the port's users; (ii) cargo-handling operation; (iii) investment in equipment and facilities, and (iv) administration of operation, marketing and maintenance of the wharves and piers, cargo handling equipment and back-up area.