

## **DRAFT DISCUSSION PAPER FOR THE 23 APRIL 2009 POLICY FORUM ON GLOBAL FINANCIAL CRISIS AND ECONOMIC SLOWDOWN: IMPACT ON THE PHILIPPINES**

### **Background:**

The Department of Trade and Industry as Lead Convener of the Working Group on Growth and Investment Climate and the Department of the Interior and Local Government as Lead Convener of the Working Group on Decentralization and Local Government both under the Philippines Development Forum are jointly organizing a two-day policy forum with the theme **“Global Financial Crisis and Economic Slowdown: Impact on the Philippines and Policy Options.”** The forum has the following objectives: (1) to assess the impact of the crisis and the slowing global economy on the priority industries identified by the government, (e.g., agribusiness, tourism, IT-BPO, mining, transportation and logistics) and recommend measures to mitigate their impact; (2) to pinpoint the geographical efforts of the crisis and strategic policy and public expenditure options that the Local Government Units (LGUs) can undertake as its contribution to the national stimulus package; (3) share experiences of LGUs which have started to implement local stimulus packages (e.g., Davao, Makati); and (4) encourage collective action by the national and local governments in partnership with industry leaders not only to pursue the objectives of stimulating the economy but to forge consensus on strategic measures that would further enhance the competitiveness of the country.

The Department of Transportation and Communications (DOTC) is invited to be one of the panel speakers on the first day to discuss (1) the impact of the current crisis on the transportation and logistics sectors and the near term outlook for the sectors; (2) the government response to the crisis as it affects the sectors; (3) comments on the proposed mitigating measures that will be suggested by the private sector and the consultants from the Center for Research and Communication (CRC) who have been commissioned to study the issue. (Please see Attachment I on Assessing the Impact of Global Economic Slowdown on Philippine Regions and the Subic-Clark-Batangas Corridor)

During the Pre-Policy Forum Meeting last 17 April 2009, the CRC Team presented the findings of their study to assess the impact of the global financial crisis on the priority industries, transportation and logistics among others. The guidelines for Plenary Speakers and Panel Discussants were presented. The DOTC was requested to make a short presentation on Mitigating the Impacts of Current Economic Crisis on Transportation and Logistics.

## **Draft DOTC Presentations:**

The Draft Presentation focuses on completing supportive infrastructure towards the development of the Subic-Clark-Metro Manila Calabarzon Corridor in the short term, comprising: completion of NAIA Terminal 3, DMIA Passenger Terminal 2 Rehabilitation and Expansion, Subic Bay Port Development, Batangas Port Development (Phase 2), as major transportation hubs. Additionally, the physical access along the corridor will also be upgraded comprising: South Metro Manila Skyway, Subic-Clark-Tarlac Expressway Project, Tarlac-La Union Expressway Project, South Luzon Expressway Expansion Project, LRT 1 North Extension, North Rail Project (Phase 1) and South Rail Project. The measure is in line with Governments' economic resiliency plan to address global economic slowdown by way of infrastructure investments. Specifically the identified strategies includes: ensure full, rapid spending of the 2009 budget through speeding up implementation of transport infrastructure projects, shift resources from slow to fast-moving projects and upgrade infrastructure and capital stock.

The Subic/Clark-Metro Manila- Calabarzon (SUMAC) growth network is the premier industrial business triangle in the country which represents about 55% of the national economic output. This development corridor provides textile, garments and consumer electronics factories in Cavite-Laguna-Batangas-Rizal-Quezon (Calabarzon), specialized industries and processing activities in Subic and Clark Special Economic Zones and port-oriented industries in Batangas. Manila-Rizal-Laguna-Quezon (Marilaque) is considered as a potential expansion area from Manila, and the north and south of Manila are used for prime agricultural production. In terms of cargo volume, the SUMAC area handles an estimated of more than 80% of the national cargo throughput.

The integration of Vismin to this major economic node and the diffusion of investments and economic activities fundamentally counts on an efficient road, maritime transport networks and services.

To address this challenge, PGMA issued Executive Order No. 170 in 2003 to promote private sector investment in the operation of RORO ships as well as development of RORO terminals (ports) as part of the Road-RORO terminal System (RRTS). In a span of only 3 years, more ports (private and public) have been established to form the RORO links. Initial economic impact assessment of RORO indicates that it has increased transport efficiency, reduced transport cost, promoted tourism and regional trade, enhanced agricultural productivity and served as a catalyst for area development.

To date, three (3) major RRTS maritime trunk route comprising 1) Eastern Nautical Highway; 2) Western Nautical Highway; and 3) Central Nautical Highway are already operational.

Noting the need to open up more economic activities and the inefficient maritime transport that has stymied countryside development, DOTC shall continue to work on providing the needed maritime infrastructure to complement the existing RORO System to improve productivity, competitiveness of exports and tourism and open up new economic opportunities in the countryside thru the GMA Ports Project.

The implementation of the Greater Maritime Access (GMA) Ports Project is supportive of expanding the nautical highway system to strengthen maritime routes in the countryside. The project's investment is P11,783.2 Million, which was already approved by NEDA Board.

Moreover, in order to upgrade inter-regional maritime services, the DOTC is considering to subsidize RORO Vessel acquisition thru the proposed Philippine-Japan Strong Republic Nautical Highway (PJSRNH) RORO System Project. It primarily involves the acquisition of seventeen brand-new standardized design RORO ships, improvement of selected ports in major and undeveloped sea routes and provision of navigational aids therein. The project is estimated to cost P14,832.6 Million.

To optimize SUMAC catalytic role as critical logistics and services support system in economic development, DOTC, together with partner agencies, will conduct logistics strategy study for the development and promotion of Subic-Clark-Manila-Batangas as logistics hub for the country and the region. The proposed study shall include the following aspects:

- Laying factual foundation by evaluating and identifying bottlenecks/problems
- Evaluating alternatives
- Identifying barriers to implementation (political, market, technological etc.)
- Developing Implementing Approaches/Strategies
- Development of policy and/or institutional framework for efficient and integrated transport and logistics system
- Formulation of detailed roadmap

Short to Medium Term Plan involves the setting of the necessary soft infrastructure and possibly the creation of single body for regulation in facilitation of transport logistics.